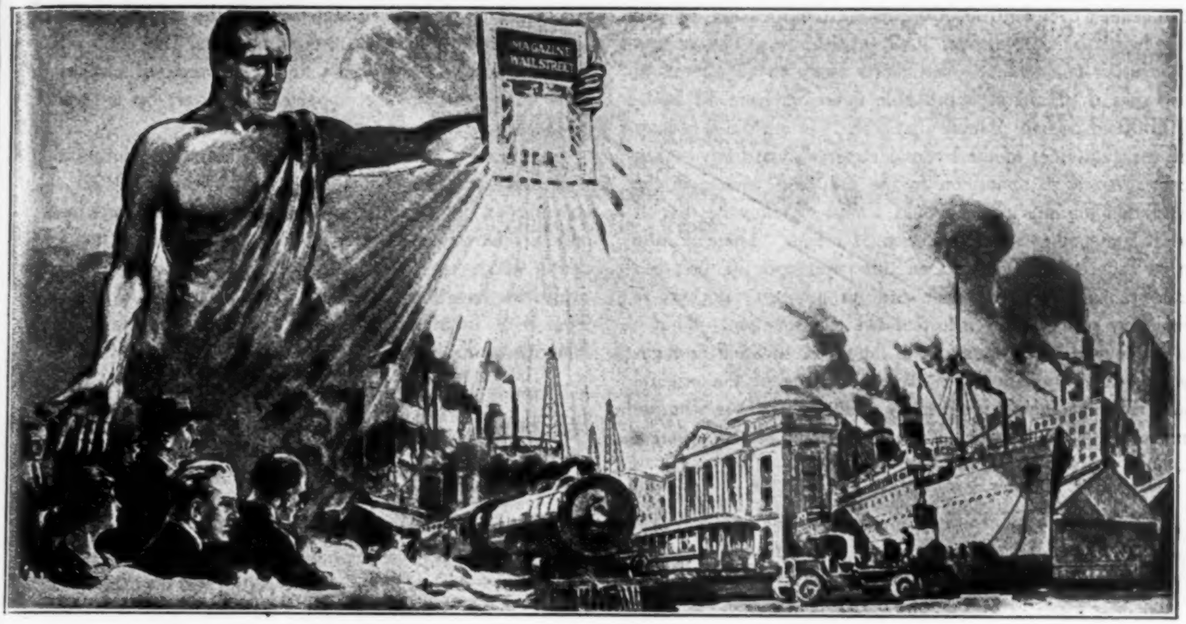


The Outlook

The Coal Strike—Will the "Bonus" Be Paid?—The Tariff Comes Up for Discussion Again—Conservatism in Dividend Payments—Gold Certificates—The Market Prospect

THE trend in business continues upward with industry, as a whole, feeling the effects of Spring expansion. The basic industries such as railroads, steel, iron and building are all in an improving position. Prices are more nearly stabilized and there are signs of an advance in the more favorably situated lines. Generally, business sentiment, while still conservative, is more cheerful than for a considerable period.

An unfortunate development has been the intended coal strike due April 1. That this will have an unsettling influence on industry if it goes through, is not to be doubted. It is to be trusted, therefore, that all means will be adopted to prevent this disturbance. The status of business in the next few weeks will depend considerably on whether or not there is a strike.

* * *

A THREATENED COAL STRIKE

IN calling out some 600,000 men on April 1, the labor leaders have apparently precipitated a serious struggle between the coal miners' union and the people. While the nation has a very fair reserve of coal due to the fact that mining has been tolerably active while general business has been somewhat depressed, the supply on hand is not sufficient to last more than a few weeks without causing anxiety on account of the shortage. Inasmuch, too, as it is not altogether well distributed, industry may suffer considerably at a very early date, and our progress toward greater business activity may be retarded accordingly.

What the miners want is a continuance of war wages, and if possible some increases therein while operators assert that, in the bituminous field at least, they cannot continue to put coal on the market if labor cost continues as high as at present. Readjustment, in fact, is necessary all around to reduce the element of fuel cost in some lines of industry, as well as to put the coal producer into a more endurable situation.

As for the domestic consumer of anthracite, his disposition to buy was long ago checked by the tremendous prices that are now charged for that kind of coal. His demand has markedly fallen off, and probably can be restored only by a very substantial cut in prices which, however, would be impossible with wages as they now are. Thus the situation in the mining districts becomes acute from a national standpoint, and the question at issue is seen to be very much more than a local industrial difference of opinion. Should it continue for a good while, the strike, however, might damage the United States in somewhat the same way that the British coal strike a year ago hurt that country. The disastrous effects of the strike were, of course, more evident there, because of the immediate dependence of the country upon export trade in manufactures. *They will, however, make themselves felt quite as severely in this country, although through different channels.*

* * *

BONUS STILL TO THE FRONT

UNEXPECTED persistence on the part of members of Congress has kept the bonus still in the front rank of public issues during the past two weeks. The Ways and Means Committee has perfected a plan under which "certificates of adjusted compensation" would be discountable at banks, and through them rediscountable at reserve banks.

The total estimated cost of the new bonus bill is placed

at something over $4,000,000,000 but the Treasury adheres to its higher estimate of over $5,000,000,000. The amount of adjusted compensation certificates likely to be offered to the banks is placed at a probable figure of from $1,500,000,000 to perhaps double that figure. Both the Treasury and the authorities of the Federal Reserve Board have taken strong ground in opposition to the proposed scheme in the belief that the effect of it would almost certainly be that of producing another serious inflation of credit. There is little or no difference of opinion on this point and the fact has actually made the President and his advisers reluctant to admit any such plan even to tentative consideration. That it would be even more disastrous to the credit situation throughout the country than would have been true of the original plans for bonus grants is generally admitted by those who are familiar with the banking and credit effects of the different schemes.

* * *

TARIFF APPROACHING A CRISIS

WITH the reporting of the tariff bill in the Senate, an event now expected to occur within the next few days, the tariff situation will practically reach a crisis, since the Senate Committee will have definitely expressed its views on the new schedules. These will presumably constitute a basis for action in the Upper Chamber after which it should not take long to bring about an agreement between the two Houses as to points that are left open. Unfortunately the news concerning the decisions which have been reached is not encouraging. Very high rates are to be made on many imported commodities; and, should the basis of foreign valuation be retained as in previous tariff bills, the rates are to be given a special upward adjustment. Permission to the President to advance them upon occasion, by about 50 per cent, in the event that the foreign valuation system is adopted, will probably form a part of the bill.

Altogether, the evident prospect favors a measure considerably higher than the Aldrich-Payne Act of 1909, although it is asserted that there will be effort to prevent rates from going materially higher than the level fixed in that well-known measure. In recent weeks, doubt has arisen as to whether the Senate can actually be brought to pass the bill, due to the opposition of feeling in various blocs and groups into which the Chamber is divided. Threats have been made by House leaders that in the event the foreign valuation basis of duties shall be retained, they will feel called upon to "hold up" all action, deeming success dependent upon the retention of the American plan of ascertaining values for assessment. This in itself may result in putting the whole matter over till another session. Meantime, the season is rapidly advancing, and Congress is obviously anxious to return home in order to mend its political fences. Such conditions do not favor adoption of the new measure at the current session.

* * *

DIVIDEND SITUATION

SOME interesting light upon the dividend situation has been afforded by the action of both industrial and railway corporations during the past few weeks. The decision of the "Hill" roads to defer their regular quarterly dividend to a semi-annual date has been regarded by some as indicative of a disposition to await the development of business during the next few months and this interpretation is in a measure sanctioned by the official statement on the subject. On the other hand the action of the Crucible Steel Company in suspending its dividend appears to be the result of bad conditions during 1921,—accompanied, however, by uncertainty of the business future.

Still further, it is to be noted that not a few corporations have made very respectable statements,—among them such concerns as Bethlehem Steel—and yet that their stock makes only a relatively moderate advance. Thus far of the dividends which have been suspended last year only comparatively few have been restored. The conclusion to be drawn from these facts clearly is that there is still decided uncertainty as to the immediate financial and dividend future.

* * *

THE GOLD CERTIFICATE QUESTION

WHAT is announced as a "new policy" for the establishment of a "free gold market" has been initiated by the Treasury Department in a circular sent to banks and announcing the intent of the Department to pay out gold certificates freely while the banks are expected to do likewise. The intent evidently is to get the certificates back into actual circulation and thereby to reduce the quantity of gold carried in bank reserves. It has been felt for a long time that this gold constituted more or less of a menace, because of the invitation it extended to Congress to force undesirable loans upon the banks by one method or another, with the result that they would be obliged to shoulder and carry great quantities of "frozen credits."

There might be something to be said for the plan of thus paying the gold out into circulation if any effective means had been provided for effecting the object aimed at. Unfortunately there is no reason to suppose that gold certificates if paid out would "stay out." Where do the gold certificates go when they are put into "circulation?" They are either in the pockets and safes of individuals, or in the vaults of banks. At the present time, the latter field is closed to them by reason of the fact that they no longer figure as reserve, unless they are deposited in reserve banks, while the field of popular circulation is closed by reason of the fact that the Federal reserve notes occupy it so fully. Either a provision that the gold certificates shall count as reserves to some extent in the vaults of banks or else that Federal reserve banks shall withdraw their notes in some measure will be necessary if the Treasury plan is to become effective. Meantime, the effort to pay out the gold certificates will do no harm and will not materially alter the existing situation.

* * *

MARKET PROSPECT

WHILE we continue to believe that the long trend of the market is upward, recently there have been some indications that the technical position was temporarily weakened. Such a condition calls for correction. Bull markets usually run in waves extending over several months, and this is no exception; for the rise has continued without serious interruption since last October—over five months.

While in some cases advances in the prices of stocks have a little more than caught up with the commercial improvement on which these have been based, the extreme possibilities have by no means been discounted, as will undoubtedly appear in further upward swings which should occur after the technical position has been adjusted.

Competition Jeopardizes Railroad Earnings Says Chairman Kruttschnitt

Chief Executive of Southern Pacific Describes Deep Problems Roads Are Encountering — His Views on Motor Trucks

An Interview by BENJAMIN NORTON
(Formerly President of The Clover Leaf)

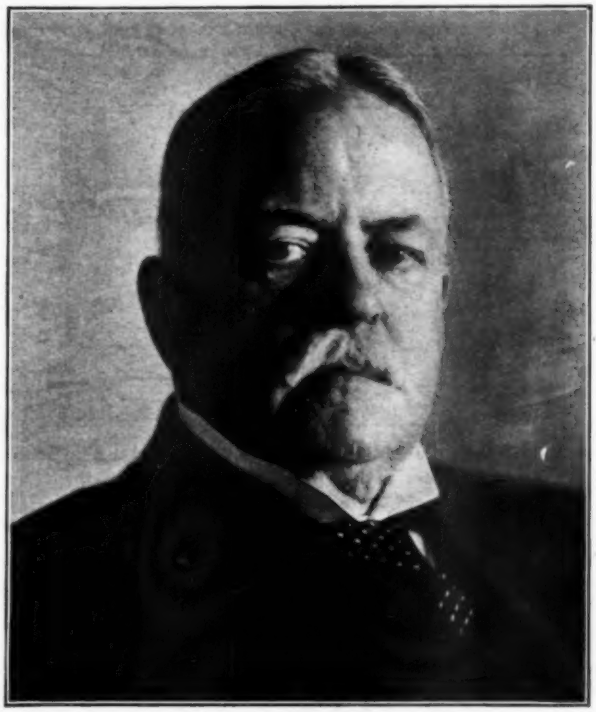
WHEN the Interstate Commerce Commission was instituted in 1887—during Cleveland's first administration—it was generally regarded as a great piece of constructive legislation—a progressive measure of vast moment.

Prior to this far reaching legislation, patrons of the railroads frequently complained of service; rates for carrying freight and passengers, and other important matters; but, as a rule, to no purpose. A well founded grievance oftentimes met its Waterloo, when it reached the railroad manager, should he refuse to entertain it. Many just claims were, therefore, unsatisfied. Consequently railroad managers were looked upon as autocrats; but sovereigns — absolute — sooner or later, have serious troubles to face. When a well known railroad magnate was once quoted as saying: "The public be damned!" it was the key note of coming trouble, which simmered, afterward, with more or less effervescence. This was decades ago; but it served to cultivate some of the feeling which culminated in the creation of the Interstate Commerce Commission which has since been followed by drastic regulations of all sorts and kinds. Amendments to the Interstate Commerce Act have been added, piecemeal, since 1889, with surprising regularity. In 1918 came the Federal Control Act and following this, the so-called Transportation Act of 1920. This latter Act modifies some of the previous exactments; but adds further jurisdiction. It also embodies the subject of railroad employes; their wages and working conditions, by means of railroad boards of labor adjustment—and a Railroad Labor Board—composed of nine members, having powers and jurisdiction outside of the Interstate Commerce Commission.

Now, there is little in the field of railroading over which Congress has not spread its willing hand. It looks as though a supreme effort had been made to arrange everything, except the food that the railroad executive shall eat, and the manner in which the railroad employe shall spend his holiday! Other enactments are likely to follow whenever the spirit moves. The whole scheme therefore seems to savor somewhat of "sweet revenge."

State Commissions Too

Along with Federal legislation have come State R. R. Commissions, with great powers and scope. When they all get busy there is something doing. They keep the railroad managers moving, first one way and then another. No wonder, then, that the practical railroad manager squirms, once in a while, under such rigid and unyielding domination.



JULIUS KRUTTSCHNITT
Chairman of the Southern Pacific Company

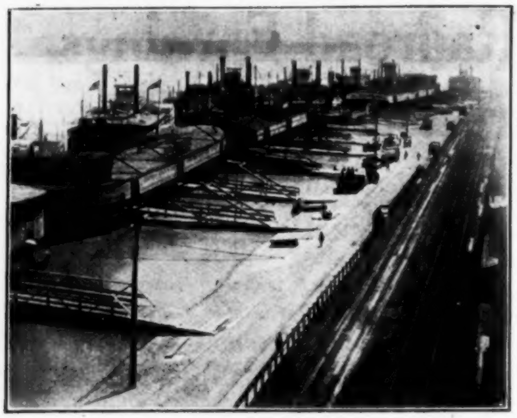
When the Government assumed control of the railroads, during the great war, the last scene in this touching drama of railroad legislation was staged. Every one now knows, or ought to know, what a handicap this was to the railroads and how they are now struggling with adversities that followed such action.

When the writer dropped in, the other day, to have a chat with Julius Kruttschnitt (Chairman of the Southern Pacific Co.—and one of the best railroad authorities in the country) on the general railroad situation and get his views on some of the salient features of the case which are, nowadays, uppermost in the minds of practical railroad men and the public generally, he propounded the stereotyped question: "What is the matter with the railroads?" Mr. Kruttschnitt looked up, with a smile and replied, "It seems to me that most any one might answer that question." "I suppose," offered the writer, "it's a case of convalescence, following a very serious illness." "Well," rejoined Mr. Kruttschnitt, "It is a case of convalescence; but," he added, "you should go a step farther and put it: convalescence with a decided lack of necessary nourishment and remedies to secure a permanent recovery. If the railroads do not get such remedies reasonably soon," he continued, "they are apt to degenerate into chronic invalids and a chronic invalid, as you know, is rather a sorry element in any community.

"For years past, up to the time of the war, the railroads of the country did not receive adequate rates for services performed. Revenues were therefore insufficient while expenses unceasingly advanced mainly through higher wages and higher prices of material. When business was booming and the people generally were prospering, the railroads were struggling with small incomes and large outgoes. You can readily see that a day of reckoning must come sooner or later under such conditions. The railroads were helpless because they could not receive the assistance they needed and should have had. This was about the situation during the war.

Operating Expenses Increased

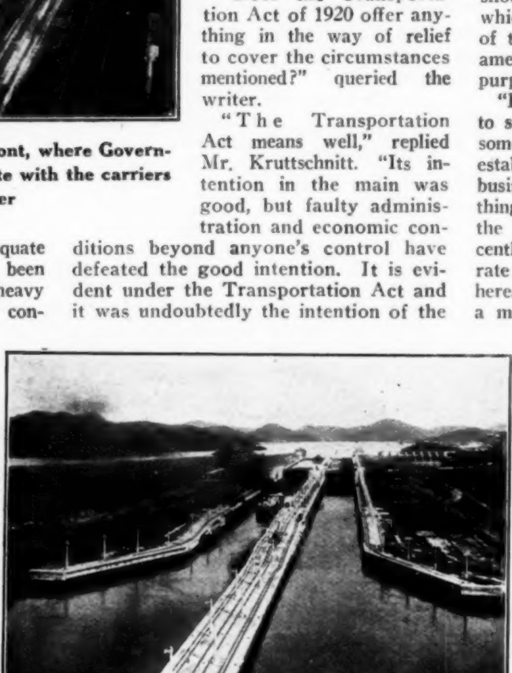
"When the war came on, the railroads were in a bad way financially, just as an individual would be who had expenses larger than his income. Under Government operation advanced rates, which for years the railroads had cried in vain, were authorized and suddenly put into effect, causing a disturbance of conditions that would not have been felt had the increase been gradually made over a period of years, as it should have been. At the same time, unfortunately, expenses had been increased principally through further wage advances, and the higher rates,



Scene along the Mississippi water-front, where Government owned barges and tugs compete with the carriers paralleling that river

which might have afforded adequate revenue had the traffic held up, have been only a partial relief because of the heavy fall in business incident to the long continued business depression still existing.

"This business depression, of course, affected the public generally as well as the railroads and has been mainly responsible for the general demand that railway rates be reduced in the hope that the wheels of prosperity would again turn, but in this demand the fact is not considered that the double wages are still a charge upon the carriers and that the prices of material are still far beyond pre-war levels. Notwithstanding these facts and in response to the popular clamor that general business should be bolstered up and carried at the expense of the roads, the railway officers voluntarily reduced a great many rates, and other reductions have been sanctioned by the Interstate Commerce Commission, without, however, an appreciable effect upon business conditions, but with an immediate effect upon railway revenue, as losses by rate reductions have not been recovered by increases in traffic volume.



The Panama Canal, through which is diverted a considerable amount of freight traffic which, before the canal was put into operation, used to be sent along the American railroad trunk lines.

"The theory that great benefits would follow rate reductions is not always correct and the fears of railway officers that they could not recoup themselves from such reductions by added business have been justified. **Security owners of railroads, like everyone else, must secure some return upon their investments and cannot be asked to sacrifice the small return they are now getting by losing revenue through rate reductions when they cannot save through cutting expenses.** Revenues have long been within the control of the Interstate Commerce Commission, and now another Government body, the Railroad Labor Board, acting independently of the Commission, determines the wages, which are the principal element of expense, so that the carriers are largely at the mercy of two Government bodies with respect to their net revenue. Repair tracks are filled with bad order cars and to save expenses large reductions have had to be made in maintenance in 1921, deferring renewals as far as possible. Capital expenditures have likewise have been postponed, including the acquisition of new equipment as with inadequate net revenue railroad credit is impaired.

The Transportation Act of 1920

"Does the Transportation Act of 1920 offer anything in the way of relief to cover the circumstances mentioned?" queried the writer.

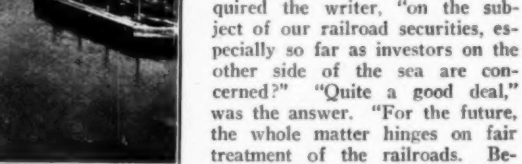
"The Transportation Act means well," replied Mr. Kruttschnitt. "Its intention in the main was good, but faulty administration and economic conditions beyond anyone's control have defeated the good intention. It is evident under the Transportation Act and it was undoubtedly the intention of the Interstate Commerce Commission in the last rate adjustment, that the roads should receive a return of 6% on their value, but unforeseen conditions—mainly a great fall in traffic—have made this provision inoperative, and for the past year or more the net operating income earned on the railway investment has been only about 3%.

"To meet the situation there must be close cooperation between the revenue and the expense controlling bodies—The Interstate Commerce Commission and the United States Railroad Labor Board—the one to adjust rates on as fair basis as possible to produce an adequate return upon investment and the other to control wages, taking into consideration the living cost and so as to permit the carriers to obtain labor as cheaply as could any individual or outside firm or corporation. If this is done and if we consider that the present period is an abnormal one which will be replaced by better times, which will mean more railway traffic, the future may be looked forward to hopefully. The Transportation Act, generally speaking, is an excellent piece of legislation, carefully thought out and designed to restore the credit of the roads which had suffered for a generation by repressive legislation. It has not as yet served its purpose, but it should be left alone and given a fair trial, which, however, it will never get if half of the numerous acts offered in Congress amending its provisions and restricting its purposes are ever enacted into law.

"For instance, when States undertake to surround themselves by stone walls, as some of them undertake to do, and to establish such intrastate rates as will keep business at home, they undertake something on the subject of rate making which the U. S. Supreme Court has quite recently upset. By its decision the supreme rate making power is now, and will be, hereafter, left, entirely to Congress. In a measure this will relieve much of the friction which has heretofore existed between the State R. R. Commissions and the Interstate Commerce Commission. It is a good thing for the railroads and it will work out well for the country, and business in general. If Congress is more than passing wise the railroads may hope for good results in many ways."

"What is there to be said," inquired the writer, "on the subject of our railroad securities, especially so far as investors on the other side of the sea are concerned?" "Quite a good deal," was the answer. "For the future, the whole matter hinges on fair treatment of the railroads. Before the great war broke out, and during the war, money was urgently needed by our foreign friends who held our railroad securities. In consequence our market was flooded with stocks and bonds; but they were absorbed, in spite of the pressure. **When railroad credits are again established, those same foreigners will be over here again to invest in our railroad securities."**

(Continued on page 809.)



The motor-truck, which more and more is becoming a serious competitor to the railroads, especially with regard to short-haul traffic.

Uncle Sam Gets "His" First

Which Explains Why the Investor Often Gets Little and Sometimes Nothing

By THEODORE M. KNAPPEN

THE studious investor will find much material for reflection in the Analysis, recently issued by the Internal Revenue Bureau, of statistics of income for 1919. Here as nowhere else he will find illuminating facts regarding the relative attractiveness of the different industrial groups as fields for investment.

The analysis of corporation income is carried to an extent unprecedented in this sort of publication, and it is therefore possible to ascertain mass facts about American corporations that have never been available before. As virtually all of industry outside of agriculture is now conducted in the corporate form, the analysis of corporation income is that of all industry except agriculture.

Regarding industrial corporations as a whole, it is somewhat surprising to learn that in the boom year of 1919 there were 110,564 corporations out of the total number reporting, 320,198, that had no net income, but on the contrary accumulated a deficit of almost a billion dollars, although their gross income approached $12,000,000,000.

The remaining 209,634 corporations had a total net income of $9,411,000,000 out of a total gross of $88,261,000,000. Judging by the percentage of corporations reporting net incomes, the leather and leather products industry is the least precarious and agriculture the most precarious field for investment. While 87.61 per cent of the leather companies did well enough to pay federal income taxes only 53.53 per cent of the agricultural corporations kept out of the red ink. So in 1919 the agricultural investor had only about one chance in two of being in a money-making company, whereas the leather investor had almost 88 chances out of a hundred of winning.

"Combination" Businesses

If one were to determine his investment according to the percentage of net income of gross income, after paying taxes, he would stay out of combination businesses, that is, businesses that have so many different interests that it is not possible to distribute them among the well-defined groups—sorts of jack-of-all trades corporations. Out of every gross dollar the combination corporations find that they have only 1.57 cents after paying taxes. According to the same criterion the most inviting manufacturing field is the metal and metal products industry, which is able to keep for net income, after taxes, 8.97 cents out of each gross income dollar. On this basis the food products industry is not very alluring as its percentage of net to gross, after deducting taxes, is only 2.69. Taking all the groups—manufacturing as well as agricultural, mining and service—the bankers head the list in ability to squeeze net income out of gross; they manage to keep 9.21 per cent of every income dollar that comes their way. The merchants are near the bottom of the list in this respect with a percentage of 3.99.

The Results

Construction is popularly supposed to be a greedy industry but after it has paid Uncle Sam nearly half of its net income it can keep for itself only 3.35 per cent of its gross income. Outside the combinations no other group gives up so large a proportion of its net income for federal taxation. The metal industries have a net of 12.35 per cent of the gross before deducting federal taxes (war and excess profits and income) and 8.97 afterwards; food, 3.76 and 2.69, respectively; leather and leather products, 12.66 and 8.83, while food products drop to 3.76 and 2.69. Such public services as the professions, amusements, hotels, etc., are commonly supposed to be profiteers par excellence, but they only have seven cents in every dollar of gross income to show to the federal tax collector and he takes away 1.43 cents of that.

A somewhat different story is told by the table, herewith reprinted, which shows the relation among other things of net income to invested capital. To take one instance; the food industry which is only able to keep 2.69 cents out of every dollar of gross income away from the U. S. tax man manages to make 24.24 on its invested capital and has to give only about a quarter of that to Uncle Sam. An examination of this table will reveal some interesting disparities in the relation of the rate of net income to invested capital and the percentage of total tax to net income.

The Pay of Corporation Officers

When it comes to a scrutiny of the compensation of corporation officers there appears an explanation in some degree of the smaller net incomes of some of the industrial groups. The public service group—professional, amusements, hotels, etc.—is the most considerate of its officers, allowing them 5.11 cents out of every gross dollar. The printing and publishing business comes next with a "cut" of 4.30 cents in the hundred for its officers. If the canny investor would prefer to entrust his funds to the industrial group that is stingiest with its officers, judging by the relation of their salaries to gross income, he will align himself with the packers, millers and other food producers, who make their officers get along with only .73 of a cent in the dollar of gross income. The rubber people vie with the food men in this respect, for they let their officers have only .82 of a cent in the hundred cents of gross.

It appears from the analysis that the domestic taxes—state and local—paid by corporations amount to almost a billion dollars, or 0.93 per cent, of their gross income. As the federal taxes paid on income are 2.18 per cent of the gross income, the tax collectors get 3.11 per cent of the gross income of corporations.

(Continued on page 804.)

CORPORATIONS REPORTING INVESTED CAPITAL DISTRIBUTED BY INDUSTRIAL GROUPS.

CALENDAR YEAR 1919.

Industrial groups.	Number.	Invested capital.	Net income.	Income tax.	War-profits and excess-profits tax.	Total tax.	% of net income to invested capital.	% of total tax to net income.
Agricultural and related industries	4,011	$763,001,652	$93,040,085	$7,415,209	$11,703,740	$19,118,949	12.19	20.55
Mining and quarrying	4,708	4,241,411,380	430,377,309	37,597,823	37,208,777	74,806,600	10.15	17.38
Manufacturing	48,916	26,191,665,260	5,209,784,117	414,268,683	941,341,358	1,355,610,041	19.89	26.03
Construction	5,238	608,833,976	154,528,276	8,796,130	55,772,370	64,568,500	25.38	41.78
Transportation and other public utilities	12,565	14,847,505,970	947,869,647	86,982,718	42,032,203	129,014,921	6.38	13.61
Trade	54,296	7,158,955,264	1,420,989,486	107,754,968	254,765,656	362,520,624	19.85	25.51
Public service — Professional, amusements, hotels, etc.	10,983	891,492,027	121,394,380	8,558,342	15,548,172	24,106,514	13.62	19.86
Finance, banking, insurance, etc	47,018	10,379,884,714	817,002,619	56,698,460	49,759,694	106,458,154	7.87	13.03
Combinations, predominant industry not ascertainable	4,177	1,030,040,510	169,434,119	8,803,684	17,023,840	25,827,524	10.62	23.60
Concerns in liquidation	97	20,673,884	1,210,599	83,403	130,497	213,900	5.86	17.67
Inactive concerns	32	1,886,581	139,267	11,741	2,776	14,517	7.38	10.42
Total reporting invested capital	192,037	$66,130,351,148	$9,305,769,954	$736,971,161	$1,425,289,088	$2,162,260,244	14.07	23.24

Why Work for All is a Guaranty of Steady Dividends

By JAMES J. DAVIS, U. S. Secretary of Labor

THE most impressive thing to me about the hard times that have been upon us for now nearly two years is the calmness, patience and restraint with which the manual laboring people have met the severest trial that has been put upon them within the memory of any man now living. There are figures which indicate that possibly 5,000,000 persons ordinarily classed as wage-earners have been out of work during the last two years. Yet there have been no bread riots, no insurrections of the starving, no capitulation to the communists and revolutionaries.

These humble millions have stood fast as their savings have melted away before enforced idleness; and as the savings of some have become exhausted they have been taken into the fold by their more fortunate brethren. A single worker in a family has held the fort for all, and working friend has stood by workless friend, which, by the way, is one more proof that a large family, far from being a drag on the workingman, is a positive asset, because it increases the chances that at least one, and maybe more, in the family will find work during the depression. These sturdy people have fought gloom just as courageously as they have fought actual hardship. They have met the darkest industrial night of years with the grim humor and jests of veterans going into battle.

How Savings Helped

But with all their fortitude and powers of endurance and with all their sanity and common sense our working people would not have been able to come so calmly through these trying times if it had not been that these lean years were preceded by the most prosperous years they had ever known. War is to be deplored but there is no denying that our working people never knew such good times as they knew from 1915 on to 1920. It is true that all of them devoted a large part of their unusual earnings in those fat years to immediate satisfaction of long pent-up wants and yearnings and that their standard of living was advanced to costlier levels. But we now know that most of them put something by out of their increased earnings. Our working people entered the hard times better fortified in health and well-being and savings than ever before in like crises. For the first time millions had enjoyed what I call a saving wage, as opposed to a living wage. It is hard to see them part with these savings to help carry the burden of the hard times for the country as a whole instead of keeping them for their declining years, but the country may well be thankful that for some years we were on a saving-wage basis.

The Living Wage

Employers and investors ought to learn a lesson from these facts. If your investment is still intact, if your business has been able to keep afloat in these parlous times, if depression has not become anarchy and chaos, it is largely because our working people had a saving wage during a period of about five years. The lesson that should be learned is that advantage must not be taken of the lower wages that must inevitably come—and are coming—with lower prices to drive the natural process to an unnatural extreme. When a man is on the run it is easy to keep him so; when wages have to go down, it is easy to push them too far. Let us see that as the prices of commodities decline the price of labor shall be kept parallel with them, so that we shall not have to wipe out the margin between a living wage and a saving wage.

HON. JAMES J. DAVIS
United States Secretary of Labor

It has always seemed to me that a tremendous factor in prosperity is a generously paid working class. Excessive profits and dividends if wrung out of business at the expense of labor are the death of prosperity. On what does industrial production and commercial activity depend except upon consumption? And upon what does consumption depend? Plainly upon the purchasing power of individual consumers. Now, who are the great mass of the consumers in our country except the wage-earners? They number something like 40,000,000, and with their families make up all but an infinitesimal part of the population. Add only five cents a day to their purchasing capacity and you increase consumption by $2,000,000 a day or $600,000,000 a year.

The country languishes today because millions are out of work, working on part time or at too greatly reduced wages. **If some magician should put all these people at work tomorrow on saving wages the country would be automatically prosperous the day after tomorrow, for on that day they would begin to increase consumption and buy accordingly.** Smaller profits and lower dividends, if need be, to keep labor prosperously employed, are more profitable in the long run than high profits and high dividends extracted from the necessities of labor. You will have a quicker turn-over and you will not have an explosion when the inevitable let-up comes.

Employers More Liberal-Minded

I am glad to be able to say that employers are more inclined to take the broad view than ever before. The outlook for the advancement of labor is better today than it has ever been in the forty years of my association with its cause. Every man who is interested in anything today is interested in human beings, and most of all interested in the wage earner. When wrong is done to the wage earner, the whole country is interested and public opinion comes to his defense. Some irresponsible agitators have accused our employers of having organized to take advantage of these times to reduce American workmen to a condition of bondage. It is not only wrong to say so; it is wicked.

On the other hand it is true that a few employers of the hard-boiled variety have taken this period when jobs are scarce and the workingman is at disadvantage to break down their workers' organizations. It seems to these people to be a good time to even up old scores, to revenge themselves for the high wages they were forced to pay a year or two ago, and see to it that such a wage scale never obtains again. The peril in this speaks for itself.

A Strong Bulwark

The patience, the intelligence, the high spirit of our millions of workers constitute the strongest bulwark we have against the wild forces we have seen at work in Russia for the past four years. Our American workers would never commit themselves to such lunatic follies, no matter what the provocation. But to browbeat them now, to attack their organizations, will breed new grievances that can only slow up business recovery at a time when united common effort alone will put us back on the road to recovery.

We must guard this immense asset of a loyal steady non-revolutionary working population. What other great country in the western world has it today? It makes us the real hope of the world in these upset days. The surest way to maintain it is to reward it with the certainty of a saving wage. Perhaps we can not completely overcome the cycles of activity and lethargy in business but it ought to be within the organizing capacity of America to provide the faithful worker with work, so that there may be taken out of his life that haunting fear of the morrow, which clouds his life from his apprentice days to his grave.

Employers must yield to this aim. Investors must yield to it. No one who looks over the field of American industrial life with fairness can possibly deny that the men of dividends have been much more secure, and the men of wages much less secure. Give the worker a proper saving wage, and let him invest his savings, and let the difference between men be the difference between dividends and not the difference between the dividend and the wage.

I know there is much railing at the workers who have been able to hold onto their jobs because they have not agreed with enthusiasm to the reductions in wages that are decreed in the long run by the reductions in commodities. Who would? Has the investor been rejoiced over reduced dividends? Why expect the workingman to hail with satisfaction lower wages, even if they do not mean lower purchasing power? Yet the calmness with which large groups of our population have accepted decreases in nominal wages has been admirable. Such resistance as there is may prove a blessing in disguise by operating to check wage reduction before it goes too far.

In the past the captains of industry have thought too much of the investor and too little of the worked. On the whole this concern for the investor as compared with the worker has been bad for the former instead of good. **The surest guaranty of steady dividends in this country is steady work for the workers.** Keep the workers working and you will keep on cutting coupons. Let us divide the new prosperity equitably.

CAN THIS HAPPEN HERE?

A scene from the Russian Revolution which plunged the Russian people into the greatest disaster in history

BROKERAGE HOUSE FAILURES SINCE NOVEMBER, 1921

The Cleaning Up Process in the Past Few Months Has Resulted in the Failure of Over 60 Brokerage Firms, Most of Whom Were Bucket-Shops

SINCE November, 1921, when THE MAGAZINE OF WALL STREET inaugurated its campaign against the bucketshops, sixty brokerage firms failed up to March 11. Several others have been added to the list since that time, making a total of over sixty failures. The combined liabilities incurred in these failures amount to over $27,000,000 and the estimated assets at about $17,000,000 leaving a total deficit of $10,000,000. This, however, by no means, includes the total loss of investors as they must have lost at least several times that amount before the firms with which they were doing "business" were exposed and they were driven from the Street. The bucketshops probably took over $50,000,000 from innocent investors last year.

It is accepted that the great majority of the firms listed on the accompanying table belonged to the bucketshop class and as such their failures and their subsequent removal from the scene of their former operations must be considered a wholesome development so far as the financial community at large is concerned. It is sincerely trusted that the remaining firms of this category who have not yet

(*Continued on page 799.*)

Date of Failure	Firm	Estimated Liabilities	Estimated Assets
Nov. 29.	Franklin A. Norton & Co.	$100,000	$25,000
Nov. 29.	Daniels & Co.	75,000	5,000
Dec. 22.	Joseph B. Clarke & Co.	100,000	20,000
Dec. 29.	McCory & Co. (one indicted)	25,000	2,000
Dec. 30.	E. W. Wagner & Co.	8,000,000	7,000,000
Jan. 16.	E. D. Dier & Co.	3,500,000	150,000
Jan. 21.	E. E. Kohn & Co.	500,000	....
Jan. 23.	J. D. Sugarman & Co. (one indicted)	600,000	150,000
Jan. 31.	E. J. Callahan Co.	200,000	10,000
Feb. 14.	Crawford, Patton & Cannon	3,300,000	3,000,000
Feb. 15.	Anderson, Brown & Co.	100,000	50,000
Feb. 17.	R. H. MacMasters & Co.	700,000	30,000
Feb. 20.	F. Oppenheimer & Co.	....	....
Feb. 20.	Kohler, Bremer & Co.	500,000	150,000
Feb. 23.	Kardos & Burke	700,000	150,000
Feb. 21.	S. S. Ruskay & Co.	2,500,000	1,500,000
Feb. 23.	James W. Ball & Co.	150,000	10,000
Feb. 23.	Higgins & Dias	100,000	65,000
Feb. 25.	Rietze & Sullivan	25,000	3,000
Feb. 25.	Heatley, Robles & Smith	20,000	5,000
Feb. 25.	A. R. Smith & Co.	75,000	25,000
Feb. 25.	Thomas H. Cowley & Co.	100,000	40,000
Feb. 27.	Mosher & Wallace	175,000	150,000
Feb. 27.	Gamble & Yates	70,000	20,000
Feb. 27.	Shewry & Falkland	60,000	25,000
Feb. 28.	H. A. Cochrane & Co.	50,000	10,000
Feb. 28.	Morton Lachenbruch & Co.	100,000	75,000
Feb. 28.	Hall & Co.	100,000	25,000
Feb. 28.	Howell & Wales	500,000	400,000
Mar. 2.	Scott & Stump	300,000	270,000
Mar. 3.	George W. Kendrick 3d & Co.	3,787,600	3,606,281
Mar. 3.	C. A. Bertrand & Co.	200,000	100,000
Mar. 3.	Charles C. James & Co.	200,000	100,000
Mar. 4.	E. H. Clarke & Co.	400,000	250,000
Mar. 6.	Emmanuel, Varco & Co.	100,000	40,000
Mar. 7.	Charles H. Clarkson & Co.	145,000	70,000
Mar. 8.	Alva Goodwin & Co.	18,000	15,000

What Does German Competition in Steel Amount To?

Difficulties Faced by German Steel Manufacturers and Why Germany Is Not So Much of a Factor in Steel as Generally Supposed

By MAX GOLDSTEIN

Representative Abroad of The Magazine of Wall Street

THE question has come before every thoughtful business student of international conditions, "Why is it that Germany is not a more dangerous competitor in the world market, in view of its low labor and material costs?" Let us see why, in the case of a dominant industry like metallurgy, for if "blood and iron" was once the slogan of Germany's statesmen, "coal and iron" was just as surely the watchword of her business men.

First, for the facts of the case. It is evident that the German steel industry is facing an imminent slump, though like anything connected with German business it is a peculiar and paradoxical kind of slump. Prices are going up all the time, the last increase being one of 10%; order-books are full up until well into the summer, deliveries cannot be made fast enough to suit customers, and yet there is a slump. The fact is that the domestic trade has practically gone out of the market: the buying competition from abroad, armed with the terrible weapon of the "valuta" or high exchange rate, has driven prices up to a point where the German steel industry must stand or fall by its export trade.

The Situation Changes

Now, for the first time in months, the export trade is going back on it. Realizing the shortage of raw material in Germany, foreign buyers refuse to give orders which are to be filled at an uncertain time, at an uncertain price, and so the German mills are getting all the opportunity in the world to get rid of their backlog of unfilled orders.

Then there is the matter of price. In practically all of the big commercial nations prices are going down; in Germany they are going up and up. It takes no Euclid to figure out that when two objects, or price systems, keep on moving toward each other from opposite directions, one going up and the other down, they will eventually meet or at any rate get quite close to each other. This is what is happening to German prices compared with the world level. They have not met as yet; but they are sufficiently close to one another for the foreign buyer to be finicky about delivery dates, fixity of contract, and other considerations that he did not notice before in the awe-struck contemplation of enormous price differentials. So it comes about that for ship-plates, for instance, it is about as cheap and a good deal more satisfactory to buy from Great Britain than from Germany; and whenever transportation costs loom very large, as for instance in much recent business with China and India, the United States and England have been successfully competing with Germany, both in considerations of price and otherwise.

Then there is the fact of Germany's definite lack of raw materials, particularly coal. It so happens that the coal-producing countries have all relatively high exchange rates as compared with Germany, hence the German steelmaker pays through the nose in Czecho-Slovak crowns or British pounds sterling for coal to keep his factories running. It is a known fact that were it not for heavy recent purchases of English coal, in spite of its enormous cost as measured in marks, German steel mills would have had to close down by the dozen. Naturally, this does not bring down the production costs any, and is another link in the vicious circle of high prices.

Of course in all German accounts of the situation, France is the villain of the piece, it being represented that everything would be all right if it were not for the coal payments in kind which France demands as part of the reparations due her. Whether the total amount of these deliveries is sufficient to make all the difference is highly doubtful. In one point, however, there is a certain truth in the contention that these deliveries are noxious to German industry.

Poor Position of German Railroads

It concerns the highly ticklish matter of railroad freight traffic in Germany. So badly have the railroads broken down that in many industries, notably sugar and fertilizer, there is an actual dearth of these commodities in the consuming centers whereas they are piling up and choking the sources of production from lack of sufficient cars to take them away. The Germans contend that by the time the railroads are through conveying coal for the reparations account and for their own needs, there are not enough coal cars left to form a toy train, and that it is this more than anything else which is cutting down production at the mines.

This matter of coal is of the very first importance in gauging the present and prospects of the German steel industry: it concerns prices, deliveries, and production capacity. It is especially significant when compared with the relations of the coal to the steel industry in other countries. In England and France the railroads concede lower rates to steel products, especially if destined for export, and coal for steel-making is purposely made cheaper to allow the domestic steel industries to compete better. In Germany, on the contrary, there is a heavy tax on coal production, a tax which has recently been doubled; the tax on gross sales has recently been increased, and in general production costs due directly to Government activity have greatly hampered the successful competition of the German steel industry.

Apart from coal, the railroad traffic situation in Germany is in a desperate way. Old equipment is being used until it literally falls to pieces on the tracks, a double handicap, inasmuch as the steel industry is deprived of one of its big customers and hampered in its deliveries to other customers at the same time. The recurrent epidemics of grippe have been particularly severe on the railroad workers, owing to the exposure incidental to the work, and the spectacular strike now ended has of course made matters much worse.

Under the circumstances it is not to be wondered at, to cite only one pregnant example, that German shipbuilders complain that a good deal of German ship construction is either being held up indefinitely or is being turned over to British shipyards. **When things get to such a point, it is evident that the danger of destructive German competition in at least this very important sphere is about as real as the Kaiser's 1914 dinner in Paris.**

Where materials are scarce and dear, and labor plentiful and cheap, as in Germany today, there will evidently be a tendency to concentrate more and more on highly-finished steel products, such as machinery and motors, as the slump progresses in the unfinished and semi-finished lines. The way this has worked out in recent months is illustrated by the following table:

EXPORTS OF MACHINERY, 1921.

Oct.	Nov.	Dec.
(In 000s of Marks)		
646,827	808,812	1,103,438
(In Metric Tons)		
26,626	27,989	37,484

Corresponding figures for the exports of pig iron, steel shapes, plates, bars, etc., show an irregular but important decline.

The price changes that had so much to do with this development may be judged from the fact that German hematite iron sold for 79½ marks before 1914 and on Feb. 1 of this issue the quotation was 3,979 marks.

And the tendency toward higher prices still rules unchecked, merely as a matter of production costs. Freights and taxes are being continually increased, the wage demands of the workers are being continually revised upwards, and the uncertainty as to coal prices is such that a sliding schedule of iron and steel half-product prices has been published, with the approval of the German Iron and Steel Institute, which quite simply bases the price of these products on the market price of coal at the date of the contract.

Readjustment Begins

The simple fact of the case is that economic laws have at last started their working. It is a thoroughly unreasonable and unstable state of affairs when the price level in a country like Germany, with trade connections all over the world, hence engaged in the world economic system, should be one-fifth of the general price level. Either world prices must come down or German prices, measured in their own or in foreign currency, must go up, to preserve the equilibrium of the entire system; as a matter of fact, both have happened simultaneously. And the fact that the German price level is still so far below that of the world in general indicates that the process of readjustment and equilibrization has only begun. For instance, at pre-war rates of exchange, the pre-war price for German hematite iron quoted above amounts to roughly $19.80; the February, 1922, price, at February exchange rates, is about $19.89, while the world price has not yet reached the pre-war level, measured in gold currency, as the German price has.

So much for the purely economic causes of the difficulties of the German steel manufacturer, and the reasons why he cannot compete so dangerously with the steel producers of nations whose exchange and price level stand higher. Outside of the economic structure, however, owing to the peculiar political conditions prevailing in Germany today, there has been built up a whole administrative superstructure of regulation and control, both by their own Government and by the Allies, which manufacturers claim is doing more to hurt them than all the facts stated previously put together.

For instance, the regulation of German exports, over the western frontier, as carried out by the French authorities at Bad Ems, outside of the tremendous burden of bureaucracy and red tape involved, includes also the maintenance of certain fixed minimum export prices, well above the German internal price level, so as to make sure that there is no "dumping" going on. This means making public property of German price-fixing methods, which allows their competitors of other countries to estimate what the fixed German minimum export price will have to be in any given case, and bid just under that figure. In such a situation of course the German is underbid without a chance at a comeback.

Risk Assumed by German Exporters

Another regulation that exercises just as detrimental an effect is the German Government's requirement that export invoices be made out in foreign currencies, not in marks. The purpose of this measure is to secure as much exchange as possible of foreign countries, and so avoid the necessity of bidding for bills of exchange in the open market with its accompanying disastrous bidding down of the mark. The practical effect of it, however, is to put the entire burden of the risk of foreign exchange fluctuations on to the German exporter, while his foreign customer, dealing only in his own currency in the transaction, is not worried about exchange rates. The requirement also means that if delivery is delayed by strikes, transportation difficulties, lack of materials, or such reasons, the seller not only has to cover the exchange he has bought, but is also liable for damages (in the foreign currency, of course), or may have to sacrifice his goods at a loss on top of it all. That this is not merely a theoretical difficulty is shown by the numerous recent cases of this order which have come up, especially since the complete tie-up of the railroads through the strike which occurred recently.

Add to this the difficulty of getting export licenses through the slow-moving Government committees, the high export taxes imposed on certain lines, and the growing tendency all over the world to raise tariff barriers against German "dumping" (naturally, several months after the practical possibility of such "dumping" has disappeared), and it will be seen why none of the terrible things are happening which it was predicted would happen as soon as Germany got under way producing again.

German Producers Handicapped

As things stand now, German producers are not much cheaper than anybody else, they cannot deliver speedily nor on fixed dates, and they cannot count on a fixed price basis to work on. In addition they have to face the fact that everywhere else prices and wages are going down, while in Germany they are going up.

What this means to the American manufacturer is that he is freed of the bugaboo of German competition, insofar as the steel industry is representative of conditions at large; on the other hand, in the more highly finished grades of steel goods and in special steels he has still to count on heavy opposition from his German competitor.

In the light of these facts, it would appear that American competitors of German steel interests, and, in fact, many other lines where Americans come into competition with the Germans is not so serious a factor as generally supposed. The fact is that the Germans are not in a position to compete efficiently with foreigners on the present basis and that Germany is not likely to become a real factor in world trade for many years to come. She has not only lost markets in which she formerly was supreme but many of the products which she used to be excellent in manufacturing are now made just as well by others. Whether this is a permanent condition remains to be seen but it is obvious that under present conditions Germany remains under a great handicap and that she will remain a more or less impotent figure in world trade until the unfavorable elements in her situation are cleared up.

THE KRUPP WORKS AT ESSEN

Panorama of all the Krupp workshops as seen from the tower of the Administration Building.

In these various workshops are being manufactured today all kinds of iron and steel products—including machinery, motor trucks, surgical instruments, Diesel engines, moving picture machines and other articles of peace—all of them made by the same workmen who made munitions of war.

Canadian Securities as Investments

Canada the Land of Promise—The American Dollar at a Smaller Premium—Present Position and Prospects for Canadian Securities

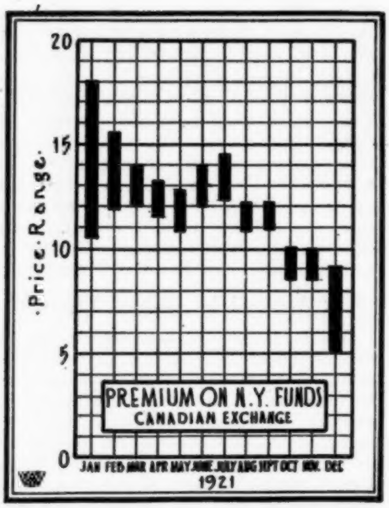
By **MORRISON MARSH**

AMERICAN investors hold over $750,000,000 worth of Canadian external securities. Over $75,000,000 worth of Canadian bonds were sold in the United States during the year 1921. According to a recent estimate by the Dominion Bureau of Statistics at Ottawa, at least fifty per cent of the capital invested in Canadian manufacturing enterprises is owned by Americans. In 1918 only thirty-four per cent of the capital invested in these enterprises was American owned. Obviously therefore Uncle Sam has a large stake in Canada. Conservative estimates place the total investment of American capital in Canada at close to a billion and a half dollars. And the total has grown from year to year. This is apparent not only from the growth of the sales of Canadian bonds in this market during the past three years but from even a casual study of the remarkable increase in the proportion of Canadian industrial securities held in the United States.

It is this fact, the fact that so many careful American investors have invested their capital in Canada, that justifies the belief, now apparently very widely held in the United States that Canada holds very real opportunities for the American investor. They have undoubtedly invested their capital in the Dominion only after the most careful investigation and thought; there must be very real reasons why they have consistently over a period of many years increased their holdings of Canadian securities. What are these reasons?

Canada—The Land of Opportunity

To even a casual observer of security value the reasons are not hard to find. First, Canada, alongside the United Sates is a comparatively unexploited country. Its rich resources have hardly been touched in spite of the unusual progress the country has made in the last few years. Its future, economically, is still one



which promises almost unlimited development. It still is a land of opportunity, a land where conditions are somewhat the same as they were in the latter part of the nineteenth century in the United States.

Then Canada, it must not be forgotten, lies within easy reach of one of the richest markets in the world, the United States. The demands of this market are fast overtaking, in many directions, the ability of the producer of raw materials to satisfy the market. The United States has been reckless in the past with her wealth. Her forest and her farms have been depleted to an extent that is not generally appreciated even in the United States. This time is not far off, for instance, according to the Bureau of Forestry at Washington, when, practically all of newsprint used in the United States must be imported. The newspaper publishers of the United States are already, as most Americans know, largely dependent upon Canada for their newsprint. This dependence will increase. Then as Secretary Hoover recently pointed out, the United States, will likely within a comparatively short number of years cease to be an exporter of foodstuffs. Already the available surplus for export is growing smaller year by year. In a few short years our production of foodstuffs will suffice only for domestic consumption. A few years more, a very few if authorities are to be trusted, and the United States will be a large importer of foodstuffs. Then Canada, as she did during the war years, will pour into the United States hundreds of million dollars worth of foodstuffs.

The result? One result will be amazing prosperity and an unprecedented period of development in Canada. How great that development will be can be partially appreciated by a study of the development in recent years of the pulp and paper industry in the Province of Quebec. Or by a study of the increase in the wealth and purchasing power of the Canadian agricultural districts when the fortunes of war threw the American market open to the farmers of Canada.

As one Westerner said to the writer the other day, the American frontier is now in Canada. Winnipeg, the capital of Manitoba, is proud of calling itself, "the gateway to the last Great West." And both statements are true. Both suggest to the American investor with vision the future possibilities for profit in Canada, possibilities comparable to the possibilities of the United States at the close of the Civil War.

A Field for Investment

It is this vision of the future of Canada, that the American investor must hold in his mind in considering the possibilities of the Dominion as a field for investment. He must not be deceived by temporary business depression that holds the Dominion in its grip. Canada like the United States is slowly recovering from the effects of the war. While the worst is apparently past, the process of recovery is not yet complete. But in spite of this fact the foundations of Canadian commerce and finance are solid. The courage and ability with which her people surmounted the difficulties of the war period guarantee her future, if the richness of her natural resources and her closeness to the American markets and her popularity with the American investor do not.

And it is in the light of these facts that one must study the recent behaviour of the Canadian security markets and the present prices of Canadian securities. One must ask not, "Can I expect large profits in a short time if I buy Canadian securities?" but, "If I buy carefully selected Canadian securities, can I be assured of a fair return on my money by this time next year?"

THE TREND IN CANADIAN STOCKS

	Div.	Dec. 31, 1921	Mar. 15, 1922
Abitibi Power & Paper Co.	$3	30½	39
Bell Telephone Co. of Canada	8%	103½	105
F. N. Burt Co., common	10 plus 10%	106	110
Canada Cement, common	6%	55	57
Canada Cement, preferred	7%	90	92
Canadian Converters	7%	69	79½
Canadian General Electric Co	8 plus 20 S.B.*	95	94
Dominion Bridge Co	8%	59½	70¼
Dominion Textile Co., common	12%	56	57
Dominion Iron & Steel Corp., preferred	7%	60	72
National Breweries, common	12%	56	57
Spanish River Pulp & Paper, preferred	7%	69¾	83
Penmans, common	8 plus 2%	100	102
Price Bros., common	1⅗ plus 2/5%	33	34
Price Bros., preferred	7%	85	..
St. Lawrence Flour Mills, common	6 plus 1%	66	80
Shawinigan Water & Power Co	7%	104	105
Sherwin Williams Co. preferred	7%	88	95
Wagamagamack Pulp & Paper Co., common	$3 p.s.	36	44
Laurentide Co.	6%	73	80

*Stock bonus.

THE TREND IN CANADIAN BONDS

	Prices Dec. 31, 1921	Prices Mar. 15, 1922
Canadian Locomotive Co. 6s.	87	92¼
Cedar Rapids Mfg. & Power Co. 5s	96	96
Dominion of Canada 6s	90	92½
National Breweries 6s	90	95
Nova Scotia Steel & Coal Co. 5s	74½	80
Price Bros. 5s	84	83½
Wayagamack P. & P. 6s	70	77½
Dom. of Canada War Loan, 1925	96.45	97.60
Dom. of Canada War Loan, 1931	96.50	98
Dom. of Canada War Loan, 1937	99.50	100.60
Dom. of Canada Victory, '22.	99.45	99.90
Dom. of Canada Victory, '27.	99.60	101.
Dom. of Canada Victory, '37.	103.45	104.80
Dom. of Canada Victory, '23.	99.20	99.80
Dom. of Canada Victory, '34.	98.35	100.00

Long Pull Possibilities

Thus obviously the writer believes that today with a few exceptions Canadian securities should be bought for the long pull. The marked recovery which has occurred in the United States in the case of Canada has not yet taken place. Canada, because she was in the war longer and the proportional size of the burden she bore during the war was greater, than was the case with ourselves, was more profoundly disturbed by the cataclysm. Her recovery is therefore slower. The slowness of this process of recovery has been increased by her greater dependence than the United States upon the European market. Mainly an agricultural country, the inability of the Western grain-grower to market his wheat in Europe as freely as in former years, hit Canada harder than it did the United States. Then it must not be forgotten than the British banker has been from the beginning adverse to the adoption of policy of rapid deflation. His policy in this respect has been diametrically opposed to that of the Federal Reserve Board. While the Reserve Board shut down on further expansion relatively speaking almost over night, the British banker and with him the Canadian, felt that a slower and more cautious policy was preferable. This policy has its effect in retarding the rate of recovery in Canada.

So, that the United States' enactment of the Emergency Tariff measure has had not a little to do with the slowness of the process of recovery in Canada is a fact. Cut off to a great extent from the markets of Europe by the exchange situation and the conditions of international trade during the past two years, the Canadian farmers of the West were last June confronted with the Emergency Tariff measure which closed the American market to all but twenty-five per cent of their normal trade.

And while internally business conditions, in spite of the signs of improvement which are already being commented upon by such men as President Hobson of the Steel Company of Canada, leave something to be desired, the present uncertainty of the Canadian exchange market, makes it necessary for the American investor contemplating investing money in Canadian securities, to take the future value of the Canadian dollar in the United States into consideration.

If he buys Canadian internal securities now, where will the Canadian dollar be in six months? While predicting the course of the exchange market is a dangerous pastime, if so it may be called. Canadian bankers seem to be agreed that the Canadian dollar will not again sell at a discount of much more than six per cent. Some of them even feel that after touching five or six per cent in June and July, it may even before the close of the present year go to par. In January of this year it sold at a discount of less than two per cent, mainly as the result of borrowing in the United States on the part of Canadian Provincial Governments and municipalities. As the Dominion Government will probably borrow rather heavily in this market later in the year at a time when the Dominion will probably be marketing its grain, it seems **decidedly likely that toward the close of the present year the Canadian dollar will be selling at par in the United States.**

The Limit of Possible Profit

If this analysis is even approximately correct it would seem that this year as last the American investor who buys Canadian internal securities early in the year and holds them until the close of the year will profit from the increase of the value of the Canadian dollar toward the close of the year. While the profit from this source will not be as great as it was in 1921, the spread between the high and the low, so far as the discount on the Canadian dollar in the United States is concerned, being much smaller this year than it was last, such a profit should form no inconsiderable part of any calculations regarding the future. If the ten point increase which occurred in the value of the Canadian dollar in the United States during 1921 is no longer possible, a five or six point increase is. And in these days of falling returns on investments five or six per cent in addition to dividends and profits from an appreciations in values, is not to be passed over lightly.

All in all therefore, the writer would be inclined to advise those who are willing to take advantage of the present depression of security prices in Canada, in the light of what has already been said, to consider such Canadian securities as appear to possess staying power and a good record. Pick the securities of enterprises whose position both financially and industrially is such that they can for a few months more be subjected to further strain without serious results to the intrinsic worth. Take, as the writer has attempted to do in this article, a long view and a broad view of their present position, do not be tempted altogether by the low prices of the securities involved but consider most carefully the earning power of the corporations under consideration in the past and their earnings power when normal conditions in the world return again. Choose those Canadian internals, as much as possible, whose value will be affected by the rapidly approaching recovery in the United States and sit tight for six months. At the end of that time, it will be found that most of the Canadian stocks and bonds will be materially higher than they are at present.

The Trend of Security Prices

As will be seen from the table giving the average price of twenty leading securities listed on the Montreal Stock Exchange, which accompanies this article, since Feb. 16, security prices in Canada have moved appreciably upward during the past month. The increase which has occurred in the case of a number of representative Canadian stocks and bonds is also clearly indicated in the other two tabulations which show the quotations in Montreal and Toronto, on December 31, 1921 and March 15, 1922. **The upward movement of Canadian security prices is apparently already well under way.**

So much for the general situation. If the writer were asked for definite recommendations, he would recommend, of course, in the first place as conservative investments of the first grade the Dominion of Canada War and Victory Loans. They are gilt edged in every respect and have almost without exception since the first of the year appreciated materially. They are very popular among American and large blocks of all the loans are held in the United States for investment purposes. They not only offer an excellent opportunity for the conservative investment of surplus funds but due to the situation in the exchange market offer an opportunity of profiting from the appreciation of the Canadian dollar in the United States.

Then there are the securities of the Provinces of Quebec and Ontario. Financially, the Province of Quebec is in splendid shape. The provincially managed liquor trade has proved so profitable that it is predicted that the province will be

(Continued on page 794.)

WHERE CANADIAN SECURITIES WERE PLACED IN 1920

Issue	Amount	Taken by Canada	Taken by United States	Taken by Gt. Britain
Government	$113,455,500	$39,035,500	$74,420,000	....
Municipal	58,994,728	49,31[illegible],496	9,682,232	....
Railway	96,500,000	....	96,500,000	....
Public Utility	11,500,000	200,000	11,300,000	....
Industrial	38,381,853	16,106,853	22,275,000	....
Total	$318,832,081	$104,654,849	$214,177,232	....

WHERE CANADIAN SECURITIES WERE PLACED IN 1921

Issue	Amount	Taken by Canada	Taken by United States	Taken by Gt. Britain
Government	$133,488,560	$77,082,560	$56,406,000	....
Municipal	88,805,973	73,356,414	15,449,559	....
Railway	101,150,000	....	87,000,000	$14,150,000
Public Utility	15,450,000	6,200,000	9,250,000	....
Industrial	61,290,345	44,909,025	13,950,000	2,431,320
Total	$400,184,818	$201,547,999	$182,055,559	$16,581,320

Money, Banking and Business

Price Movement and Its Relation to Business

By H. PARKER WILLIS and E. D. KING

Connection Between United States Production, Exports and Prices.

Article III

By E. D. KING

IN two previous installments, underlying influences governing price changes have been detected, particularly the variations in price changes which now exist between the various countries. It will now be worth while to discuss the basis of price movements in the United States, especially from the viewpoint of the effect produced upon American prices by changes in the volume of our exports. The problem is thus: How does our foreign trade affect our prices?

In order to arrive at a more or less definite conclusion with regard to the relationship between prices in this country and the export trade movement, it is essential that actual figures be presented showing the exact relation between local production and exports. A basis for further inference may be laid by comparing our production figures with the volume of our exports.

While the volume of production in this country has indubitably been on an advancing scale throughout the past century, the upward tendency has been most marked during the past decade. A statistical review brings this fact out more clearly. In the period previous to the beginning of the war—from the Civil War to 1914—there had been a slow but regular rise in production, owing to the increase of the population in this country and the growth of the demand of the rest of the world for our goods. By 1911, total production of the United States as estimated in dollar value had reached the annual figure of forty-one billion dollars —an average of about $380 per capita. In 1914, this figure amounted to forty-three and a half billion dollars—an average of about $415 per capita. In 1920, total wealth production in the United States amounted to eighty-nine billion dollars—an average of about $800 per capita.

PRODUCTION VS. EXPORTS

In Millions of Dollars

AGRICULTURAL PRODUCTS

	Production	Exports	Per cent of exports to production
1911	8,819	1,176	13.3%
1914	9,894	1,256	12.7%
1920	19,856	3,929	19.9%

MANUFACTURED PRODUCTS

	Production	Exports	Per cent of exports to production
1911	29,170	963	3.3%
1914	34,500	972	2.5%
1920	66,500	4,162	6.7%

MINERAL PRODUCTS

	Production	Exports	Per cent of exports to production
1911	2,946	324	11.0%
1914	3,105	344	11.8%
1920	6,707	958	14.3%

These figures indicate an increase of total annual dollar value of production in the United States in the decade 1911-1920 amounting to about 117%.

The Volume of Exports

Coincident with this increase in production, the volume of our foreign trade increased in somewhat the same proportion. In 1911, total United States foreign trade, exports and imports, amounted to $3,439,000,000; in 1914 to $4,066,000,000 and in 1920, to $12,655,000,000. **It will be seen that the increase in foreign trade during the decade 1911-1920 amounted to 270%.**

On the other hand the total volume of export trade in 1911 amounted to $1,774,000,000; in 1914, to $2,047,000,000 and in 1920, to $7,050,000,000. **This represented an increase of about 550% during the decade under discussion.** There was thus an increase of about 117% in wealth production in the United States during 1911-1920, an increase of about 270% foreign trade (exports and imports) and an increase of about 550% in exports.

Figures thus far have been furnished in dollars. It is worth while, however, to note the character of the change in export trade volume as measured in units of commodity. This has been done by the Federal Reserve Board which reviews the changes in the movement of various classes of goods as shown in table on next page.

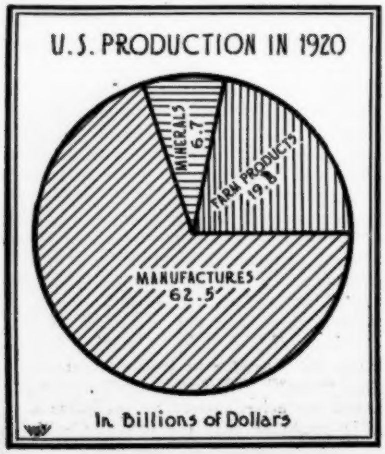
It is obvious that the increase in exports during this period must have had considerable weight in increasing the volume of production in this country, but precisely how much is a question that must be deferred to a later point.

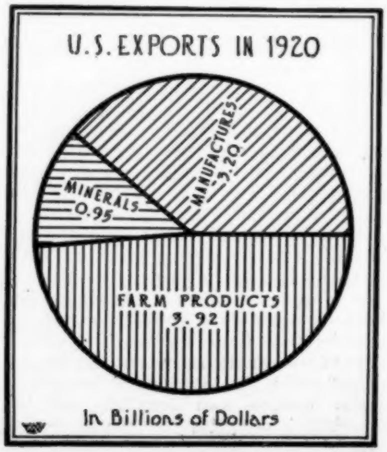
In the same period, average commodity prices advanced from 100 in 1913 (approximately the same as 1911 prices) to 233 in 1920—an advance of about 133% (Federal Reserve figures). Bradstreet's Index gives about the same results, with an increase from $8.40 at the end of 1911 to $20.80 in April, 1920, which marked the highest level of prices during the last inflationary movement. The increase according to Bradstreet's amounted to about 149%.

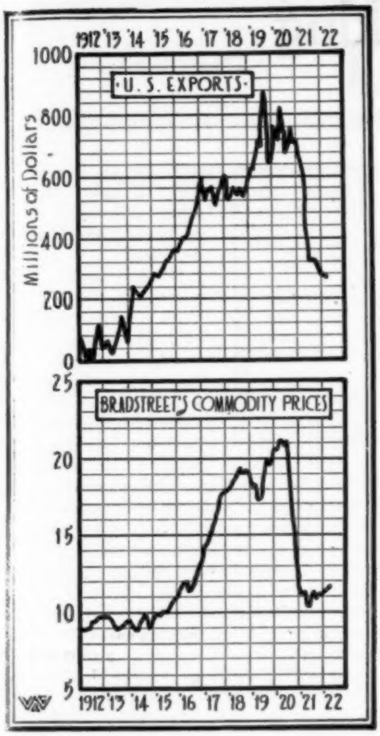
The results in the 1911-1920 period are tabulated herewith:

Increase in production	117%
Increase in Foreign Trade	270%
Increase in Exports	550%
Increase in Average Commodity Prices	150% (approx.)

These figures clearly have a close relationship. It would obviously have been unnecessary to take steps leading to the expansion of our productive capacity were it not for the expansion







of our export trade. Thus in 1911, total exports of domestic products from the United States amounted to 4.33% of the total production; in 1914, it amounted to 4.76% and in 1920 to 7.81%. This gradually increasing figure shows the growing share which our exports have in our business life. Despite fluctuations in our foreign trade which must necessarily come about as the result of conditions at any given time, it is evident that the trend in our exports is broadly upward as the result of the growing participation of the world in the demand of products which are peculiarly American in origin.

This is brought out more clearly through an analysis of the various groups of exports in relation to production.

National Output and Sale

The three great branches of our industry are: Agriculture, minerals, and manufactures. In the accompanying table, entitled Production vs. Exports is indicated very clearly the relationship between the national output and sales abroad of the goods falling under these three categories. Several important conclusions are derived from analysis of this table (1) that production in all three groups showed an upward tendency, but not in the same proportion and (2) that there was an increase in exports in all three groups, with the percentage of increase varying widely.

In the period 1911-1920 there was an increase in value of about 125% in agricultural products, accompanied at the same time by an increase of 50% in the percentage of exports to production. In the same period, there was an increase of 128% in the output of manufactures, accompanied by an advance of 103% in the percentage of exports to production. In minerals, there was an increase of 131% in production and an increase of but 30% in the percentage of exports against production.

It will be seen that the largest increase in production was contained in the mineral products group with a percentage of 131, the next largest increase being in the agricultural products group with a percentage of 125, the lowest being the manufactures group with a percentage of 103. The increase in production was, therefore, fairly uniform in these three large groups, the minimum figure being 103 and the maximum 131. The conclusion is that industrial, agricultural and mining effort during the past decade received about the same impetus.

When we come to exports, the results are somewhat different. Thus exports of manufactures led the way with an increase of 128% in value whereas foreign demand for our agricultural products increased 50% and for our mineral products a bare 30%.

Thus, although we have held our own in the matter of exports of agricultural and mineral products, the largest gain has been in manufactured products. The large increase in the volume of our agricultural production at the same time that exports showed only a moderate increase indicates that the domestic requirements for farm products are growing at a rate to make it less and less possible to ship large quantities of foodstuffs abroad. Ultimately, with population and consequently the home demand for farm products largely increased, the huge quantities which we ship abroad will gradually decrease until we turn from an exporting to an importing nation so far as foodstuffs are concerned.

As suggested above, we must turn to our manufactured products eventually, as the chief source of exploitation of foreign markets. To a limited degree this has already been indicated by the fact that the upward trend of manufactured exports during the past decade has been more sharply marked than in the case of the other two large groups of exports — farm products and minerals.

In 1911, we sold abroad $639,000,000 of finished manufacture products made in this country. In 1920, this amounted to $3,204,000,000 an increase of 400%. It is true, of course, that this immense increase in exports of manufactures was greatly stimulated by war and post-war demand. To the extent to which our manufactures were sold abroad to meet specific war demands, we shall of course lose that part of our foreign trade. Additionally, new sources of competition which have been created in the Orient, South America and Europe must necessarily limit temporarily the amount of our sales abroad so far as they concern manufactured products. Despite these handicaps, however, which are in effect of only a temporary nature, it is apparent that this nation which is the most highly-geared in the world industrially will be the one to which the nations of the world will come more and more to rely on for their sources of supply of finished manufactures.

Dr. Julius Klein, Director of the United States Bureau of Domestic and Foreign Trade estimates that we have an excess manufacturing capacity (above domestic needs) of 20%. This figure must necessarily be taken not too literally as no method has been discovered to compute the exact amount of our surplus manufacturing capacity. However, assuming this figure to be approximately correct, it is possible to discover approximately the amount of excess manufacturing capacity by subtracting from Dr. Klein's figure the 6.7% (see table Production vs. Exports) which represents the 1920 percentage of

(*Continued on page* 798.)

INDEX OF VALUE OF FOREIGN TRADE IN SELECTED COMMODITIES* AT 1913 PRICES

(Monthly Average Values, 1913 = 100)

	Exports				Imports			
	Raw materials (12 commodities)	Producers' goods (10 commodities)	Consumers' goods (7 commodities)	TOTAL (29 commodities)	Raw materials (16 commodities)	Producers' goods (12 commodities)	Consumers' goods (5 commodities)	TOTAL (27 commodities)
1913—Year	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
1919—Year	88.9	154.7	188.5	118.6	157.5	193.0	147.5	168.4
1920—Year	92.2	142.5	138.0	107.7	135.8	227.4	166.7	168.8
1921—Year	103.1	95.8	126.1	107.9	113.6	162.8	141.4	135.6
1921								
January	105.2	137.9	126.0	117.6	74.5	130.8	123.0	102.6
February	91.0	141.0	116.4	101.6	118.2	143.5	135.5	130.0
March	78.2	104.4	122.4	91.1	160.7	177.5	178.9	169.7
April	76.6	102.7	122.5	89.9	153.4	177.7	185.1	167.2
May	97.7	81.8	112.8	100.0	98.7	150.2	162.1	127.3
June	107.9	74.4	135.1	111.3	94.5	152.5	130.4	120.9
July	111.6	68.3	131.8	112.5	99.3	126.5	121.4	112.6
August	142.7	68.1	164.1	140.9	116.7	165.0	129.8	136.0
September	115.7	79.1	147.5	119.9	102.8	137.8	99.4	114.6
October	121.7	83.5	119.2	117.6	96.2	173.5	116.5	126.9
November	95.1	93.7	108.0	97.3	115.1	199.5	149.2	150.6
December	93.8	74.1	106.5	95.9	133.0	218.9	164.8	168.7

*The list includes 27 of the most important imports the value of which in 1913 formed 49.3 per cent of the total import values, and 29 of the most important exports the value of which in 1913 formed 56.3 per cent of the total export values. The classification of the original list of commodities used was given in the July, 1920, "Federal Reserve Bulletin." The classification of 11 additional commodities of imports was given in the April, 1921, "Bulletin," and two additional commodities in the November, 1921, "Bulletin."

About Banks and Banking

One of the Trust Company's Most Important Functions — Interest Rates as An Index

ACTIVE BANK STOCKS

Name	Price	Book Value, Dec. 31, 1921	Name	Price	Book Value, Dec. 31, 1921
Amer. Exch. National..	248-253	$255	Hanover National	835-850	$810
Bank of America.....	178-183	206	Irving National	190-193	186
Chase National	290-295	205	Mechanics & Metals...	337-343	265
Chatham & Phenix	224-228	217	National City	314-318	253**
Chemical National	505-515	450	National Park	400-405	329
First National	940-950	513*	Seaboard	290-296	266

*Not including First Securities Co.
**Not including National City Co.

How Trust Companies Serve You

THE growth of trust company business has had its greatest impetus within the last generation. There were something over 30 companies of the kind in 1875; today, there are well over 2,000, capitalized, according to a reliable estimate, at about $567,000,000, and having total resources of over $8,950,000,000.

In the formative years, the trust companies of the country were useful, primarily, to large corporations or individuals of great wealth. **In recent years, however, the whole tendency has been towards serving smaller investors and individuals of average means.**

Today it may be said that no individual, even though his resources be limited, can afford to ignore the services which trust companies offer him, for the trust company today has facilities that are of direct use and value to all persons.

Wills, for Example—

Take, for example, the matter of executing wills:

The trust company, as such, does not ordinarily undertake to draw up your will for you. That is a matter for your lawyer.

It is in the *execution* of your will that the modern trust company plays its chief part.

In the execution of a will, the trust company offers you the services of a widely experienced organization, one which has the very finest facilities for accounting, tabulating, tax-paying, safe-keeping, collecting, etc., etc., that there is,—one which is reliable, impersonal and trustworthy in every way. No single individual, no matter how extensive his own experience may be, could ever offer such resources.

If you appoint an individual as your executor, that individual might die, or become incompetent, before, or even during, his executorship. No such contingency as this could occur in the case of a trust company.

The duties of an executor are many—and they are complex. They require professional knowledge. Also, of course, the utmost integrity and honesty on the executor's part are essential. The average man, reviewing the names of his intimate friends—the persons, that is, whom he knows he can trust—will seldom find one fitted by experience, temperament and special knowledge to act as his executor. This ideal combination of integrity and ability is to be found, in the vast majority of cases, only in the trust institution.

How heavy the duties imposed on an executor are has been well brought out by a large New York institution. This Trust itemizes the consecutive steps an executor must take. The list that results is nothing if not imposing:

(1) Taking possession of all property belonging to the person who made the will.

(2) Listing all property in complete inventory.

(3) Filing return with Collector of Internal Revenue for payment of Federal Estate Tax, and prompt payment of that tax to secure benefit of discount, as provided by law.

(4) Submitting statement to State Comptroller for paymert of State Inheritance Tax; also, payment of such tax within six months of death to secure benefit of 5% discount allowed by law.

(5) Advertising for debts.

(6) Paying debts found to be justly due.

(7) Paying legacies and residuary bequests, as directed by the will.

(8) Procuring a "judical settlement" of its accounts, to the satisfaction of the Surrogate's Court, and all interested parties.

(9) Keeping careful record of the assets to safeguard against loss.

(10) Collecting notes and accounts receivable, and rents, coupons and dividends due the estate, so that nothing shall be overlooked, or lost by delay.

(11) Providing for prompt payment of legacies.

Glancing over even these fundamentals of the duties devolving upon the executor of a will, it is apparent how intricate executorship is; and realizing that the services of a trust company, in every way suited to the office, can be secured at the same fee as that allowed an individual executor, there remains little doubt whether the trust company or an individual is the better choice, especially when it is considered that under inexpert management, the average estate is dissipated in a comparatively short period.

Incidentally, small estates—estates of as little as $5,000—can be put into the hands of the trust company. And they will receive the same care and attention as the larger estates.

Mississippi Valley Trust

In answer to inquiries concerning the Mississippi Valley Trust Co., the following letter is published:

"According to our information, this institution is one of the stronger and more prominent of its kind in the Middle West.

"The stock is quoted in the New York market 233 bid, and none offered. Dividends at the rate of 16% were paid in 1920 and, we understand, in 1921. The stock's book value is figured at $273 per share. In other words, the issue offers a yield of well over 6% at the bid price, which is a high yield, considering the strength of the institution; and is furthermore selling considerably below its book value.

"We would certainly advise holders to retain their holdings in this stock."

Interest Rates as an Index

Those who believe that money rates and bank ratios are the best index there is of trade conditions are considerably more sure of their ground as a result of the experiences of the last two years. Some of them are nearly willing to say that the active investor who deals in standard securities needs nothing more than knowledge of the day-to-day movements in money and exchange in order to proceed intelligently in his security operations.

There has certainly been a very close relationship between the money market, the industrial situation and the security market during the period. Thus, when trade was almost prostrate and high-grade securities selling at near-panic levels last year, money rates were nearly twice as high as they are today; and the ratio of the Federal Reserve Bank of New York—the most inclusive bank ratio—was only half as high. A lengthy discussion of this ratio, published in the January 21st issue showed that, for some time during 1920 and well into 1921, the index fluctuated below 40. At that time, rates on commercial paper were in the neighborhood of 8%.

The turn for the better in money conditions set in late in the first quarter of 1921. It culminated in a perpendicular advance in the Reserve Ratio which carried it close up to 85% before any reaction occurred. There was a corresponding decline in interest rates.

The upturn that followed in the securities markets and trade conditions generally is too well known to need repetition here. Of greater current interest is the fact that the best commercial paper is to be had at the present time at 4½% or practically the lowest rate of the year. As for the Reserve Ratio, the latest statement filed by the New York Bank shows its ratio of reserve standing at 86.7%, or only very slightly below the highest point of the year. Gold holdings of the Bank stood at $2,976,000, or the highest point in the last eight years.

The Bond Market

Neglected Opportunities in Bonds

A List of Obscure Issues with Which the Public Is Not Generally Acquainted Brings to Light Some Bargains

By R. M. MASTERSON

IN the intelligent selection of bonds for sound investment it is necessary to have some definite standard to follow. In other words, comparison with what might be termed on "Ideal Investment" is the safest method of determining the relative merits of any given issue. It is essential, therefore, to have a clear understanding of just what constitutes an "Ideal Investment." In the case of a bond, an "Ideal Investment" might be adequately defined as one that embodies the following elements:

1. Absolute safety of principal.
2. Assured stability of income.
3. Good income return.
4. Satisfactory duration.
5. Ready marketability.
6. Freedom from Taxation.

An investment that embraces these six elements may be had in theory only. Any particular bond may have five of these elements, but never all six. A real high grade municipal bond, for example, is perfectly safe as to principal and interest; it runs for a satisfactory number of years; probably has a good market; and is tax exempt; but the yield, or income return, will be low. On the contrary, a bond having a high income return is always found lacking in one or more of the other qualifications. Theoretically, the higher the yield, the greater the risk.

Relative Importance

Of course, some of the elements are considerably more important than others. Safety of principal, to the true investor, is the prime requisite. The business man, who keeps his finger on the pulse of financial affairs, may, with some justification, sacrifice a certain proportion of this safety of principal in order to obtain a large return on his capital, but Mr. Average Investor, who, above all, wants to hold on to what he has, can not take any chances insofar as the safety of his principal is concerned. Stability of income is likewise quite as important as safety of principal but there are few cases where safety of principal is absolute, that the regular payment of interest is not also thoroughly assured.

A good income return is probably what interests most investors more than anything else. Generally, they first want to know what yield they are going to get on their money and then they start to think about the safety of the issue. Satisfactory duration, obviously, depends on whether the investor's needs require a long or short term bond, but more often the longer the life of the security, the better it serves his purpose. Freedom from taxation is, plainly, of greater significance to the man of wealth than to the individual of moderate means.

Marketability

The importance of ready marketability, however, is greatly over exaggerated by many investors. Some people do not want to buy any issue that is not actively dealt in every day on the New York Stock Exchange and that is not quoted, at all times, at not more than half a point, or less, between the bid and asked prices. The writer does not wish to infer that marketability is not essential to a large part of a man's investments but he does claim that it is unnecessary to place all of one's funds in issues than can be closed out at a moment's notice. Take the case of a man who has $25,000 invested in securities. It would certainly be essential for him to have at least half, possibly two-thirds, of his funds in active issues but the remainder might be placed to excellent advantage in some of the less active issues where a high yield might be obtained through the sacrifice of a proportion of the element of marketability rather than at a sacrifice of safety of principal or income return.

NEGLECTED BONDS

Name of Company.	Title.	Rate.	Maturity.	Redeemable.	Denomination.	Tax Status.	Location of Market.	Approximate Price Bid.	Approximate Price Asked.	*Approximate Yield Current.	*Approximate Yield To Maturity.
RAILS.											
Akron, Canton & Youngstown	First Mtg.	6%	July 1, 1930	...	$100 only	2% paid by Co.	Unlisted	78	82½	7.50%	9.40%
Alabama, Tennessee & Northern	Prior Lien	6%	July 1, 1948	102½	1,000-500-100	2% paid by Co.	Unlisted	80	87	7.18%	7.45%
Central Vermont	Refunding Mtg.	5%	May 1, 1930	101	1,000-500	2% paid by Co.	....	75	80	6.45%	9.00%
Chicago, Terre Haute & Southeastern	First & Ref. Mtg.	5%	Dec. 1, 1960	107½	1,000-500	2% paid by Co.	N. Y. Stock Ex.	79¾	81¼	6.25%	6.85%
Galveston, Houston & Henderson	First Mtg.	5%	Apr. 1, 1933	105	1,000	Not assumed	N. Y. Stock Ex.	85	87½	5.81%	6.80%
Kansas City, Memphis & Birmingham	Income-Stamped	5%	Mar. 1, 1934	...	1,000-500	....	Boston Stock Ex.	80½	..	6.06%	7.20%
Philippine Railway	First Mtg.	4%	July 1, 1937	110	1,000	2% paid by Co.	N. Y. Stock Ex.	51¾	52	7.70%	15.40%
Rio Grande Junction Ry.	First Mtg.	5%	Dec. 1, 1939	...	1,000	2% paid by Co.	N. Y. Stock Ex.	80½	..	6.06%	6.70%
MISCELLANEOUS											
Clearfield Bituminous Coal Co.	First Mtg.	4%	Jan. 1, 1940	...	$1,000-100	2% paid by Co.	N. Y. Stock Ex.	60	..	6.45%	8.00%
General Baking Co.	First Mtg.	6%	June 1, 1936	105	1,000-500	2% paid by Co.	N. Y. Stock Ex.	95½	..	6.15%	6.30%
Hackensack Water Co.	First Mtg.	4%	July 1, 1952	105	1,000	2% paid by Co.	N. Y. Stock Ex.	61	..	6.35%	7.20%
Kings County Elevated Ry.	First Mtg.	4%	Aug. 1, 1949	...	1,000	Not assumed	N. Y. Stock Ex.	70	75	5.51%	6.10%
Ingersoll-Rand Co.	First Mtg.	5%	Dec. 31, 1935	105	1,000	2% paid by Co.	N. Y. Stock Ex.	85	..	5.74%	6.40%
Ontario Transmission Co., Ltd.	First Mtg.	5%	May 1, 1945	...	1,000	Not assumed	N. Y. Stock Ex.	83½	..	5.84%	6.20%
St. Joseph Stock Yards	First Mtg.	4½%	Jan. 1, 1930	105	1,000	2% paid by Co.	N. Y. Stock Ex.	74	..	5.92%	8.70%
St. Louis, Rocky Mtn. & Pacific Co.	First Mtg.	5%	July 1, 1955	100	1,000	2% paid by Co.	N. Y. Stock Ex.	78¾	..	6.25%	6.45%
Sierra & San Francisco Power Co.	First Mtg.	5%	Aug. 1, 1949	110	1,000	2% paid by Co.	N. Y. Stock Ex.	85	..	5.74%	6.00%

*Where both bid and asked prices are given, yield is calculated on price half way between; where no offered price is given, yield has been calculated on a figure 2 points above bid price.

Obscure Bonds

There are a number of bonds, both listed and unlisted, that, for one reason or another, are not actively dealt in. Their quotations, in some cases, show a spread of several points between the bid and asked prices and sales take place only occasionally instead of from day to day. Because of this lack of activity this type of issue is not kept before the public eye and is overlooked by investors generally. Bonds of this character might well be termed "obscure bonds" and owing to their obscurity there is not as great a demand for them as there is for the better known issues. As prices are governed by supply and demand it is not surprising that many real bargains may be found among these "neglected" issues.

Among the obscure bonds are all classes —good, bad, and indifferent. After combing the list quite thoroughly, some of the really high grade issues have been picked out and the accompanying table made up. Practically every issue in the list is a first mortgage underlying obligation and the several that are not first mortgages are adequately secured by a guarantee or other strong feature.

The list is suggested for investors as a means of calling their attention to some high grade bonds that may still be bought to give a fairly high yield. Owing to the fact that most of the issues are more or less inactive, it is unlikely that the investor can go out and purchase any or all of them, without any difficulty, at quoted prices. It is not recommended that he pay up for them where the offered price is a number of points above the bid but with a little patience the investor can pick up these bonds, from time to time, as they come on the market.

Brief descriptions of the various issues follow:

Akron, Canton & Youngstown 1st 6s, 1930

These bonds are secured by a first mortgage on about 35 miles of track in the industrial district of Akron. The road is owned by the Goodyear Rubber Company and all of their business goes over this road. It is earning about four times interest requirements. The Akron, Canton & Youngstown also owns the Northern Ohio Ry., a 160 mile railroad from Copley Junction to Delphos, Ohio, subject to only $15,000 per mile of bonds of that company, which is a valuable additional security behind these bonds. This road was purchased from the New York Central and the additional 160 miles of road gives the A. C. & Y. a much larger percentage of the freight haul than they were previously entitled to on their original 35 miles. The transaction was also advantageous to the N. Y. Central as it assures them of all the tonnage over the A. C. & Y. and the Northern Ohio being re-routed, as far as possible, over N. Y. Central Lines.

These bonds were originally placed in Belgium, and on account of the exchange possibilities, it pays foreign holders to sell. The chief drawback to the bonds is that they come only in denominations of $100 and this fact also probably tends to keep down the price. The bonds, however, are well secured and offer an excellent investment at a high yield. The Akron Canton & Youngstown Company is reported to have been acquiring a great many of their own bonds and probably own about 25% of the total issue of $1,500,000.

Alabama, Tenn. & Northern Prior Lien 6s 1948.

These bonds, outstanding only in amount of $800,000 are an exceptional security, being a first mortgage on 186 miles of main-line extending from Calvert, about 35 miles north of Mobile, where connection is made with the Southern Railway, due north to Reform, Ala. The bonds are also secured on very valuable terminals at Mobile and on a large amount of equipment. The physical valuation of the property exceeds $4,000,000, or more than $5,000 behind each $1,000 face value of Prior Lien 6s.

It takes less than 5% of the gross earnings to pay the interest on the prior lien bonds. The company is capable of very much greater development in earnings, as is evidenced by the fact that the gross earnings did not fall off during 1921, when practically every other railroad showed substantial decreases. All the company's traffic originates or terminates on its own line and, therefore, there is little danger of competition.

Central Vermont Ref. Mtg. 5s 1930.

These bonds are a first mortgage on about 375 miles of railroad in the State of Vermont. The lines are used as an entrance into the New England States for the purpose of a direct connection towards the ports of Boston and New York by the Canadian National Railways System.

Central Vermont Ref. 5s are guaranteed, principal and interest by the Grand Trunk Railway of Canada, all of whose $250,000,000 Capital Stock has been acquired by the Canadian Government, which has issued in payment therefor about $62,000,000 4% Debenture Stock, the interest on which is guaranteed by the Government. The obligation to pay principal and interest on Central Vermont 5s of course takes precedence over the dividends on the above mentioned Grand Trunk stock so that the bonds are in effect guaranteed by the Dominion of Canada.

Chicago, Terre Haute & South-eastern First & Ref. 5s 1960.

Outstanding in amount of $4,244,000 the bonds are a direct mortgage on over 360 miles of road, of which they are a first mortgage on 114 miles, the most important part of the system, being the main line from Chicago Heights to the Indiana-Illinois State line. They are also secured on over 3,000 cars and 32 locomotives, subject to only $240,000 Car Trust bonds which will mature within the next two years.

The Terre Haute is now a part of the Chicago, Milwaukee & St. Paul system which has assumed the First & Ref. 5s. Since the purchase by the St. Paul the earnings of the Terre Haute have shown remarkable advances owing to increased tonnage received which the St. Paul formerly routed over the 'Frisco lines. For the first six months of St. Paul's operation, the road reported net earnings applicable to interest charges of $730,000 against requirements of the First & Ref. 5s for this period of $106,100.

The present holders of these bonds are largely among the large institutions, of which the Prudential Life Insurance Company is reported to own $1,000,000.

Galveston, Houston & Henderson 1st 5s 1933.

This road is the only outlet to tidewater for two important systems, the Missouri, Kansas & Texas and the International & Great Northern. The bonds are secured by a first mortgage on the entire property of the company, including 50 miles of railroad connecting Houston and Galveston, Texas, and terminals on Galveston Island. These terminal properties, comprising about 200 acres of real estate and over 75 miles of railroad tracks, handle over 50% of the total incoming and outgoing business of the port of Galveston.

When the M. K. & T. and the International & Great Northern defaulted on their own first mortgage bonds they never failed to pay the necessary leasing charges on the Galveston, Houston & Henderson. The road's properties are valued at over $4,000,000 against outstanding First 5s of $2,122,000, but the strategic position of the road alone allows little doubt as to the safety of principal and interest of the bonds.

Kansas City Memphis & Birmingham Income 5s 1934.

These bonds were originally non-cumulative but in 1902 the Kansas City, Fort Scott & Memphis Ry. (St. Louis-San Francisco System) offered to pay interest at a fixed rate of 5% on bonds presented to be stamped giving the company the privilege of redeeming the bonds at 95. This redemption privilege, however, expired in 1912. Stamped bonds are guaranteed as to interest by the Kansas City, Fort Scott & Memphis. Subject to a small closed mortgage of $3,323,000 Prior Lien 4s (1934) the bonds, outstanding in amount of $5,923,000 are a direct mortgage on the main line of the St. Louis-San Francisco Railway Company from Memphis to Birmingham, a distance of 265 miles. The bonds are followed by about $40,000,000 bonds of the Kansas City, Fort Scott & Memphis Railway and approximately $15,000,000 Fort Scott preferred stock, on which dividends of 4% have been paid for many years, and by approximately the same amount of common stock of that company.

The strong position of the Kansas City, Memphis & Birmingham 5s is evidenced by the fact that when the St. Louis-San Francisco Railroad Company was reorganized in 1916 they were left undisturbed, as well as the Kansas City, Fort Scott & Memphis 4s of 1936, which are junior to the K. M. & B. 5s, and by the fact that the dividends on the Kansas City, Fort Scott & Memphis 4% preferred stock were maintained throughout the receivership of the St. Louis-San Francisco.

Philippine Railway 1st 4s 1937.

This company was incorporated in 1906, with an authorized capital of $5,000,000,

(*Continued on page* 800.)

Inquiries on New Security Offerings

Inquiries on Other Securities Will Be Found in Their Representative Departments

SINCLAIR CONSOL. 1ST LIEN 7s

Well Secured—Attractive Yield

I contemplate the purchase of $10,000 of the new Sinclair Consolidated 7% bonds but before doing so would like to have your opinion of this issue. I shall be guided entirely by your advice in this matter.—R. T. P., Boston, Mass.

Sinclair Consolidated Oil Corporation First Lien Collateral 7% Gold bonds Series "A" mature March 15, 1937. They are redeemable as a whole on 60 days' notice at 107½ and interest on or before March 15, 1927; thereafter at 105 on or before March 15, 1932; thereafter at 102½ less ½ for each twelve months elapsed after March 15, 1932. Total authorized issue $100,000,000, present issue Series "A" $45,000,000. Bonds in denominations of $100, $500 and $1,000.

These bonds are secured by the pledge of $90,000,000 1st mortgage bonds of subsidiary companies as follows: Sinclair Oil & Gas Co. $45,000,000, Sinclair Refining Co. $35,000,000 and miscellaneous $10,000,000 including Sinclair Navigation Co. and Union Petroleum Co. These bonds will constitute a first lien, subject to only $1,255,488 prior liens, upon substantially all the important operating properties of the companies located in the United States. The stocks pledged include 50% of the stock of the Sinclair Pipe Line Co. and 50% of the stock of the Sinclair Crude Oil Purchasing Co.

The preliminary consolidated balance sheet as of December 31, 1921, shows working capital alone to be in excess of the present bond issue and total net assets over five times the amount of the bonds. Consolidated net earnings for 1921 were $10,000,000 or three times the interest requirements which is a very good showing in view of the fact that 1921 was not a good oil year.

These bonds were recently offered by a strong syndicate at 98 to yield 7.22%. This appears to us to be a very liberal yield in view of the big security behind the bonds. We see no reason why you should not make the investment contemplated.

NORTH'N OHIO TRACTION & LIGHT

General & Refunding 6s

How do you regard the Northern Ohio Traction and Light Co. general and refunding mortgage 6s due 1917 recently offered? I have under consideration purchasing some of these bonds. Is there any other public utility bond that gives as good or better return on the investment that you would suggest instead?—R. S., Denver, Coy.

Northern Ohio Traction & Light Co. general and refunding 6s, due 1947, are secured by a direct mortgage, subject to $4,555,000 underlying bonds and $5,288,500 1st mortgage 5s. They are further secured by the pledge of $7,000,000 1st mortgage 5s. The present issue is $7,500,000. Additional bonds can be issued for the retirement of underlying bonds or the 1st mortgage bonds and for not exceeding 75% of actual and reasonable expenditures made after March 1, 1922, for permanent extensions to the properties provided earnings have been 1¾ times the annual interest charges.

The purpose of this page on Inquiries on New Security Offerings is to rate new issues of stocks and bonds as they appear. The merits and deficiencies of the new offerings are frankly discussed and our readers should find this page of great value in aiding them to choose their investments. Owing to space limitations only a few letters are published in this page but subscribers still have the opportunity of having their inquiries answered by applying to our Inquiry Department.

For the twelve months ended February 28, 1922, net earnings were $2,252,418 as against interest charges including this issue of $1,159,945.

Northern Ohio Traction and Light Co. owns and operates properties in the important Cleveland-Akron-Canton industrial section of Ohio. Electric light and power business contributes 75% of the earnings and electric railways the balance.

The bonds are offered at 96 to yield 6.30%. A public utility bond that appears to us to be as well secured as this issue and which gives a somewhat higher yield is Public Service Corporation of New Jersey 5s, due 1959, selling on the New York Stock Exchange at 77 to yield 6.7%. We would prefer to invest in the latter issue.

SAKS & CO. 7s

New Fifth Ave. Location

I have noticed your new page in the Magazine of Wall Street entitled "Inquiries on New Security Offerings." This makes a very interesting addition to the Magazine. May I trouble you to give me your opinion of the Saks & Co. 7% bonds recently offered at 99.
B. H., Brooklyn, N. Y.

Saks & Company 20-year sinking fund mortgage 7% gold bonds mature March 1, 1942. They are redeemable in whole or in part at the option of the company at 110 up to September 1, 1930, and at decreasing prices thereafter. A sinking fund will begin to operate not later than 1927.

This company has secured a lease for a period including renewals of 105 years, covering 36,700 square feet of ground on the east side of Fifth Ave. between 49th and 50th streets, including both corners, on which it intends to erect a new store estimated to cost with equipment $4,250,000. The bonds in addition to being a direct obligation of the company are secured by a closed first mortgage on the leasehold of the premises and the building to be erected thereon. When the bonds are issued $3,500,000 is to be deposited in trust for the purposes of the construction.

The balance sheet of the company as of January 31, 1922, before giving effect to the present financing shows a working capital of approximately $3,764,000. For the last five years net earnings have averaged $991,445.

Of course in considering the bonds of a retail dry goods company such as this, management is a very important factor. In the past, the Saks management has made a very good record but of course in moving to a Fifth avenue location into a building with double the floor space of its present store the overhead is greatly increased and it remains for the future to determine how favorable the result will be. At the offered price of 99 the yield is 7.1%. Rather than purchasing this issue would suggest instead the Sinclair Consolidated 1st lien 7s offered on a 7.22% basis, as the latter issue appears to us to be better secured and the yield is slightly higher. Another point is that the latter issue is pretty sure to have a broad and active market while the Saks & Co. 7s being a small issue will probably have only a narrow market.

FRAMERICAN INDUSTRIAL DEVELOPMENT

Debenture 7½s.

I note that J. P. Morgan & Co., recently offered Framerican Industrial Development Corporation bonds at a price to yield 7½%. This appears a rather attractive yield for a bond put out by Morgan & Co. and I would appreciate your opinion and a few particulars regarding these bonds.
T. S., Rockland, Me.

Framerican Industrial Development Corporation 7½% Debenture bonds mature January 1, 1942. They are redeemable on January 1, 1927 and thereafter to December 31, 1932 at 110% and accrued interest; the premium thereafter decreasing 1% per annum. Bonds are in denomination of $1,000. Interest and principal are payable in gold in New York City. They are unconditionally guaranteed as to principal and interest by endorsement by Schneider & Co., of France.

The Framerican Industrial Development Corporation was organized in 1917 in New York for the purpose of facilitating the business in the United States of the French company of Schneider & Co. The plants of Schneider & Co., which include the famous Creusot Works, provide the largest productive capacity in France under one control for the manufacture of electric machinery, locomotives, engines and steam turbines. Through affiliated companies it is a large factor in the production of iron ore, coke, pig iron and steel. Since 1835 when the present company was organized dividends have been paid regularly each year. During the past ten years net profits, after charging off maintenance and fixed charges, were equivalent, at the exchange rates prevailing during such years, to not less than $6,000,000 in each year.

The $10,000,000 bonds of the Framerican Industrial Development Corp. were recently offered at 99 and interest by a syndicate headed by J. P. Morgan & Co. to yield 7.60%. The high yield is of course, due to the fact that this is a French security and all French securities are selling in this market on a high yield basis at the present time. This bond has behind it the guarantee of one of the strongest industrial corporations in France and can in our opinion be regarded as a suitable securities in which a business man may invest a portion of his funds.

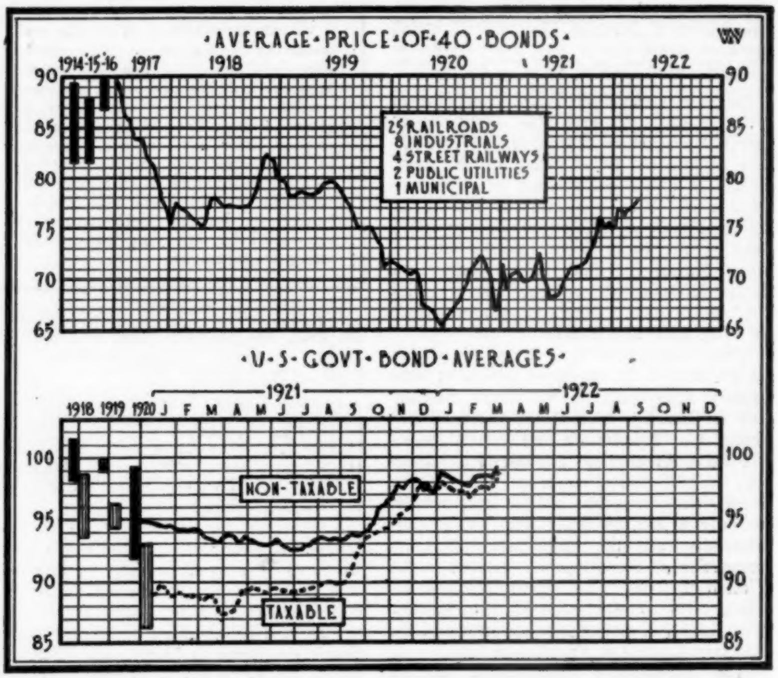
Bonds Continue Upward March

Many Issues in New High Territory as Market Broadens — All Groups Strong and Active

By **FRANK H. HALL**

THE bond market of the past two weeks continued to discount easier money and improved business conditions. Investment absorption was large with a particularly active demand for the higher yielding and the more speculative issues.

Industrial and financial developments of the past month have shown steady improvement and warrant the prediction that bonds will sell considerably higher within the next few months.



Industrial Improvement

Demand for steel products was greatly increased throughout last month and continues to hold up well. Pig iron production has reached the pre-war levels and the independent steel companies are said to be operating at close to 60% of capacity. The Steel Corporation is operating at over 60%.

The sugar, leather, wool, rubber, and oil industries have all turned the corner and with the outlook for much larger demand by Fall, companies engaged in these industries should be able to operate at a fair profit in the near future. Reductions in inventories have placed the majority of large companies in a sound position, with production the only requisite to a return to prosperity.

One of the most encouraging signs of all is the rise in the grain and cotton markets. The low price of wheat, corn and cotton has been one of the sore spots in the economic situation in this country. With farm products selling at practically pre-war levels and wages, materials and supplies and railroad freight rates anywhere from 50 to 100% above pre-war levels a situation existed where approximately 60% of the population's purchasing power was more than cut in half. This situation is slowly being rectified. Wheat is now up 36% from the low, corn 21% and cotton 63%.

The railroad problem has also been a retarding influence to general industrial recovery and while there is still much improvement to be desired, recent developments have been of a constructive nature.

Easier Money

This brief summary serves to illustrate a healthy and gradual return to prosperity and naturally should be reflected in higher prices for the prime investment securities. The remaining real incentive for a still further rise in bond prices is the steadily easing money situation. The Federal Reserve banks are today in a very strong and sound position and the basis has been laid for extensive credits both here and abroad. Money should continue to lend at low rates until the early Fall, when industrial activity throughout the country and the financing of the crops will bring about a tightening in the situation.

We have expressed our belief many times in the past few months that the Reserve Banks would make a further cut in the rediscount rate and still think there is a strong probability of such action being taken in the near future, in which event a large rise in bonds may be expected.

New Flotations

Financing for the week ended March 18 reached the highest proportions thus far this year. Over $146,300,000 of new issues were brought out and many of them heavily over-subscribed. The most attractive of the new issues were the Sinclair 7% notes and Dutch East Indies 6% bonds. We recommend these issues to readers of THE MAGAZINE OF WALL STREET for investment.

Government Bonds

The high yields of foreign government and municipal bonds continue to attract investors with the result that several new highs were made. There was heavy buying of the Argentine 5s of 1945, these bonds advancing 2½ points. The Argentine Republic is one of the richest in natural resource of any of the South American countries and the steady improvement of business in this republic warrants the rapid rise which these bonds have had.

Advances of 1¼, 1 and ½ points, respectively, were registered in the City of Zurich, Kingdom of Belgium and City of Christiania bonds.

Middle Grade Railroad Bonds Very Strong

While the gilt edge railroad bonds were very steady, with rises of about 1 point in a few issues such as Chesapeake & Ohio, Baltimore & Ohio and Chicago, Rock Island & Pacific, the middle grade bonds were featured and some very substantial advances were recorded. Illinois Central 4s, Baltimore & Ohio 4s, Cleveland, Cincinnati, Chicago & St. Louis 4½s, Pere Marquette 5s, Pennsylvania 5s, and St. Louis Southwestern 4s all advanced over a point and the Kansas City Southern 1st mortgage 3s were up 2 points.

With the majority of gilt edge railroad bonds selling on about a 4.8% basis it is only natural that demand should turn to the less seasoned issues but the more attractive from the point of view of return on investment. There are still four bonds in this group which yield over 6% and are so well secured that we have deemed it advisable to give them a more prominent place in this group. Slight comment as to the status of these issues would be of interest.

St. Louis-San Francisco prior lien 4s and Missouri, Kansas & Texas are both southwestern roads which have undergone reorganization within the past six years and are therefore still in the class of unseasoned investments. Both issues, however, are underlying bonds on the main road of the systems and are adequately secured by assets. Earnings in recent years have shown remarkable improvement and a very large margin of safety over interest requirements of these respective issues. The southwest territory is developing rapidly and has had a great deal to do with the larger earnings of these roads. All in all, the outlook for these

bonds is exceedingly bright and at current levels can be rated among the best purchases on the bond list.

Cleveland, Cincinnati, Chicago & St. Louis debenture 4½s are subject to a large amount of underlying bonds and cannot obtain the same rating as the first mortgage bonds in this group. Earnings of this road, however, show a very substantial margin of safety over total interest requirements over a very long period and these bonds obtain their chief value from this fact. They are cheap at current prices.

Chesapeake & Ohio is one of the coming roads and its convertible bonds, in our opinion, are entitled to a higher rating than they now enjoy. These bonds are not only an attractive investment, selling at a rather high yield, but have the added advantage of being convertible into the capital stock at $80 a share until 1923 and thereafter at higher prices. There is considerable possibility of the stock reaching this level during the current year as a result of the splendid showing of the road in recent years. Last year Chesapeake & Ohio earned about $8.30 a share on its outstanding stock and earnings for the first month of this year were far in excess of the corresponding period of 1921.

Public Utilities Strong

The action of public utility bonds was very much along the lines of the railroad issues, some of the gilt edge issues were about a point higher but the real activity took place in the middle grade group. The leader was the Brooklyn Union Gas 5s, which recorded an advance of 4½ points. Brooklyn Edison 5s and Cumberland Telephone & Telegraph 5s were each 2 points higher.

The most important development in the public utility field last month was the decision of the U. S. Supreme Court declaring the 80c gas law of 1906 confiscatory. This will have a far-reaching effect on public utilities throughout the country and practically assures them a fair return on their invested capital. Operating costs this year will be considerably below last year's level, another favorable factor in the outlook for public utility companies.

Speculative Industrial Bonds Featured

Heavy buying of Virginia-Carolina Chemical, American Cotton Oil and Cuba Cane Sugar bonds featured the speculative groups. Advances of from 3 to 5 points were recorded by these bonds. At their present level the Cuba Cane bonds are about 30 points up from the low of 1921. This company appears to have definitely turned the corner and while it is not to be expected that operations this year will yield any large profits there does not seem to be any doubt but the company will have no difficulty in covering its fixed charges by a substantial margin. Stocks of raw sugar have been greatly reduced in the last few months and the price of sugar has advanced about ¾ cent per pound.

Among the railroad bonds Iowa Central 5s and St. Louis Southwestern 4s advanced 2 and 1½ points, respectively, but on the whole prices were unchanged. There are many attractive issues in this group and probably when it is least expected there will be some sensational rises,

(*Continued on page 790*)

BOND BUYERS' GUIDE

	Apx. Price	Apx. Yield	Int. Earned on entire funded debt‡
BETTER GRADE			
Foreign Governments.			
1. City of Christiania (b) 8s, 1945	109½	7.20	....
2. Danish Municipal (b) S. K. 8s, 1946	109½	7.20	....
3. City of Zurich (b) 8s, 1945	112	7.00	....
4. City of Copenhagen (b) 5½s, 1944	90½	6.30	....
5. Kingdom of Sweden 6s, 1939	100¼	6.00	....
6. Argentine (c) 5s, 1945	84	6.30	....
7. U. K. of Gr. Britain & Ireland (c) 5½s, 1937	99⅝	5.50	....
8. Dominion of Canada (c) 5s, 1931	98	5.30	....
MORE SPECULATIVE.			
1. Kingdom of Belgium (a) 6s, 1925	103½	4.75	....
2. Kingdom of Italy (d) 6½s, 1925	93½	9.00	....
3. Republic of Chile (b) 8s, 1941	103⅝	7.60	....
4. Sao Paulo (b) 8s, 1936	102⅝	7.70	....
5. U. S. of Brazil 8s, 1941	104⅝	7.60	....
GILT EDGE.			
Railroads.			
1. Balt. & Ohio S. W. Div. (b) 1st Mtg. 3½s, 1925	89	7.70	.80‡
2. Ches. & Ohio (a) Genl. Mtg. 4½s, 1992	84¾	5.30	2.20
3. Delaware & Hudson (a) 1st & Ref. 4s, 1943	88½	4.87	1.65
4. Southern Pacific (b) 1st Ref. 4s, 1955	85⅝	4.87	1.65
5. Chic., Burl. & Quincy (a) Genl. Mtg. 4s, 1958	87½	4.75	2.40
6. Union Pacific (b) 1st Mtg. & L. G. 4s, 1947	90⅝	4.62	3.65
7. N. Y., Chic. & St. Louis 1st Mtg. 4s, 1937	86	5.37	2.35
8. Atlantic Coast Line (a) 1st Mtg. 4s, 1948	87⅛	4.87	1.55
9. Pennsylvania (a) Genl. Mtg. 4½s, 1965	87½	5.25	2.20
10. West Shore (a) 1st Mtg. 4s, 2361	80¼	5.10	**
11. Norfolk & Western (c) Cons. 4s, 1996	87⅝	4.60	3.95
12. Central R. R. of N. J. (a) Genl. Mtg. 5s, 1987	105⅝	4.70	1.40
13. Atchison (b) Genl. Mtg. 4s, 1995	88	4.55	3.90
14. Chic., R. I. & Pacific (a) Genl. Mtg. 4s, 1988	83	4.87	1.00
Industrials.			
1. Diamond Match (c) Deb. 7½s, 1935	107⅞	6.60	†
2. Armour & Co. (a) R. E. 4½s, 1939	87¼	5.70	6.75
3. General Electric (b) Deb. 5s, 1952	98	5.12	5.55
4. International Paper (a) 5s, 1947	84	6.30	16.70
5. Indiana Steel (a) 5s, 1952	98⅝	5.10	**
6. Liggett & Myers (aa) Deb. 5s, 1951	95	5.37	4.80
7. Baldwin Loco. (a) 5s, 1940	99⅝	5.00	2.65
8. National Tube (a) 5s, 1952	98	5.12	**
9. Corn Products (a) 5s, 1934	97½	5.30	60.70
10. U. S. Steel (a) 5s, 1963	100⅝	5.60	5.70
Public Utilities.			
1. Duquesne Light (b) 6s, 1949	102	5.87	3.40
2. Amer. Tel. & Tel. (c) 5s, 1946	95¾	5.38	4.20
3. Philadelphia Co. (c) 6s, 1944	95⅞	6.37	4.15
4. N. Y. Telephone (b) 4½s, 1939	92	5.20	**
5. Montana Power (c) 5s, 1943	94¾	5.40	2.90
6. Cal. Gas & Electric (a) 5s 1937	95	5.50	4.15
7. N. Y. G., E. L., H. & P. (a) 5s, 1948	96	5.30	2.10
8. Pac. Tel. & Tel. (a) 5s, 1937	95	5.30	1.75
MIDDLE GRADE.			
Railroads.			
1. Balt. & Ohio (b) 1st Mtg. 4s, 1948	79	5.50	0.80
2. St. Louis-San Franc. (a) Prior Lien 4s, 1950	69⅝	6.30	1.00
3. Missouri, Kansas & Texas Prior Lien 5s, 1962	81	6.30	....
4. Ches. & Ohio (b) Conv. 5s, 1946	86⅝	6.10	1.55
5. Cleve., Cin., Chic. & St. L. (a) Deb. 4½s, 1931	89	6.10	2.40
6. Pere Marquette (c) 1st Mtg. 5s, 1956	92	5.50	2.05
7. Southern Pacific (b) Col. Trust 4s, 1949	80¼	5.40	2.40
8. Kansas City Southern (a) 1st Mtg. 3s, 1950	66½	5.30	1.70
9. Illinois Central (b) Col. Trust 4s, 1952	82¼	5.20	2.25
10. Pennsylvania Genl. Mtg. 5s, 1968	96½	5.20	....
11. St. Louis Southwestern (a) 1st Mtg. 4s, 1989	77	5.25	2.00
12. Norfolk & Western (a) Conv. 6s, 1929	106½	4.90	3.95
13. Atchison (a) Conv. 4s, 1960	98¼	4.10	3.90
Industrials.			
1. Wilson & Co. (a) 1st 6s, 1941	95½	6.40	2.10
2. Comp. Tab. & Recording (b) 6s, 1941	94	6.60	5.45
3. Adams Express (b) 4s, 1948	75½	5.87	2.60
4. Int. Merc. Marine (b) 6s, 1941	95	6.50	5.15
5. Lackawanna Steel (c) 5s, 1950	84⅝	6.20	6.90
6. Bush Terminal Bldg. (a) 5s, 1960	90	5.62	2.35
7. U. S. Rubber (c) 5s, 1947	86⅝	6.10	5.00
8. Amer. Smelting & Refining (c) 5s, 1947	89½	5.80	9.55
9. Goodyear Tire (c) 8s, 1941	115	6.60	x
Public Utilities.			
1. Public Service Corpn. of N. J. (a) 5s, 1959	77	6.70	....
2. Detroit Edison (c) Ref. 5s, 1940	93½	5.60	2.60
3. Brooklyn Union Gas (a) 5s, 1945	92½	5.60	*1.35
4. Northern States Power (b) 5s, 1941	89⅝	5.90	1.80
5. Brooklyn Edison (c) 5s, 1949	94¼	5.40	2.20
6. Utah Power & Light (a) 5s, 1944	90¼	5.90	1.80
7. Cumberland Tel. & Tel. (b) 5s, 1937	92	5.80	1.70
SPECULATIVE.			
Railroads.			
1. Western Maryland (a) 1st Mtg. 4s, 1952	62½	7.00	.70
2. Iowa Central (a) 1st Mtg. 5s, 1938	73½	8.00	....
3. St. Louis Southwestern (a) Cons. Mtg. 4s, 1932	74¼	7.75	2.00
4. St. Louis-San Francisco (a) Adj. Mtg. 6s, 1955	78½	7.80	*1.90
5. Mo., Kansas & Texas Adj. Mtg. 5s, 1967	50½	10.00	....
6. Southern Railway (a) Genl. Mtg. 4s, 1956	63½	6.75	1.85
7. Missouri Pacific (b) Genl. Mtg. 4s, 1975	63	6.50	.90
8. Carolina, Clinch. & Ohio (c) 1st Mtg. 5s, 1938	84⅝	6.60	1.40
9. Minneapolis & St. Louis (a) Cons. Mtg. 5s, 1934	73¾-75	....	.50
10. Denver & Rio Grande 1st Ref. 5s, 1955	45¾	11.30	....
Industrials.			
1. Chile Copper (b) 6s, 1932	86	8.10	3.80
2. Va.-Carolina Chemical (c) 7½s, 1932	95½	8.20	2.75
3. American Writing Paper (a) 6s, 1939	82	7.90	1.90
4. American Cotton Oil (a) 5s, 1931	87	7.00	3.15
5. Cuba Cane Sugar (c) 7s, 1930	85	9.75	....
Public Utilities.			
1. Hudson & Manhattan (c) Rfdg. 5s, 1957	73⅝	8.60	*1.00
2. Intr. Rapid Transit (a) 5s, 1966	61½	8.30	1.00
3. Third Avenue (b) Refg. 4s, 1960	63⅝	6.62	*1.20
4. Va. Railway & Power (a) 5s, 1934	74½	8.30	....

(aa) Lowest denomination, $5,000. (b) Lowest denomination, $500.
(a) Lowest denomination, $1,000. (c) Lowest denomination, $100.
(d) Lowest denomination, $50.

(x) This issue was created on May 1, 1921.

†This issue, which represents the entire funded debt of the company, was created on Nov. 1, 1920.

*Number of times over interest on these bonds was earned.

**Earnings are not reported separately.

‡This represents number of times interest on the companies' entire outstanding funded debt was earned, based on actual earnings of last five years. Interest on this issue was fully covered.

Railroads

Illinois Central R.R.

The Premier Road of 1921

Illinois Central Completes Best Year in Its History and Earnings Per Share of Capital Stock Surpass Those of Any Other Carrier

By ARTHUR J. NEUMARK

THE successful operation of the Illinois Central R. R. last year was a distinct achievement and presents a striking contrast to the showing made under Federal control in the previous year, as shown by the accompanying table. The question naturally arises as to whether this road can maintain the record established in 1921 or whether it will be only a flash in the pan and settle down to the old pre-war record of between 7 and 10% on the capital stock. The writer is inclined to believe that under normal conditions the increased earning power of Illinois Central is here to stay and that henceforth this company will hold much the same position as such roads as Union Pacific, Canadian Pacific and Atchison.

Condition of the Property

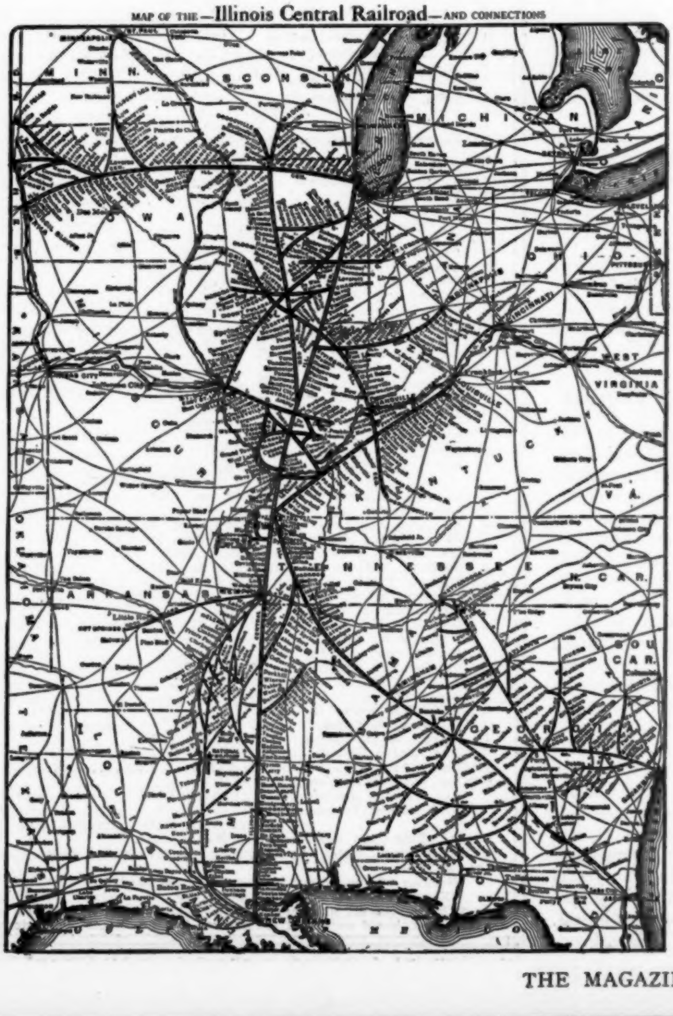
The status of the Illinois Central's roadbed, tracks and equipment leaves nothing to be desired. This road has been very liberal in its maintenance charges and has probably made more additions and improvements to its system (in comparison with its size to other Class I railroads) than any other road.

Illinois Central has kept pace with the growth of the territory it serves and this has been one of the chief reasons for its large success. In a previous article in THE MAGAZINE OF WALL STREET the writer laid special emphasis on the money that had been placed back into the property and into the improvement and additions to the hauling facilities of the road. This sound policy has paid for itself many times over and forms the nucleus in the writer's mind as to why the road's increased earning power is here to stay.

Increased Fixed Charges and Earnings

In order to take care of the many improvements and additions to the property in the past five years a large increase in the funded debt was necessary. Total funded debt increased about 73% since 1916 and annual interest charges from $5,546,266 in 1916 to about $10,500,000 at the present time, or approximately 51%. This is certainly a considerably larger increase in fixed obligations than took place on the majority of roads but let us ascertain what these capital expenditures did for the road during this period.

MAP OF THE—Illinois Central Railroad—AND CONNECTIONS



For comparative purposes we will use one of the strongest and largest earners of all the railroads, namely, Atchison, Topeka & Santa Fe. The annual gross earnings of this road from June 30th, 1916, to December 31st, 1921, increased slightly over 70%, compared with an increase of almost 105% for Illinois Central in the same period, and the balances available for the common stocks of each road have increased from $12.30 and $10.70 per share to $17.50 and $18.05 per share, respectively.

Illinois Central's earnings have increased to such an extent that last year, although this road's average number of miles operated amounted to but 41.4% of Atchison's, the gross business handled amounted to as much as 71% of the latter road.

These figures graphically illustrate the growth of Illinois Central.

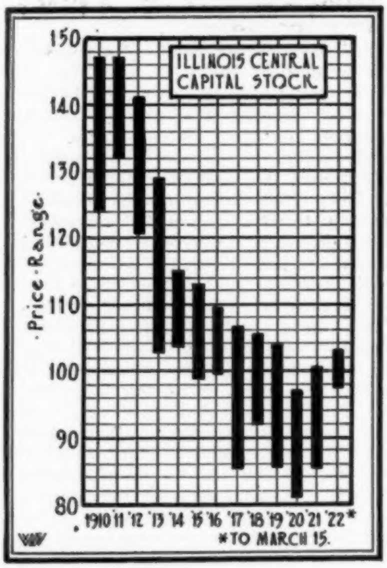
Proposed Preferred Stock Issue

In order to take care of capital expenditures in the coming years directors intend to ask stockholders of the road to authorize an issue of probably $50,000,000 of preferred stock. That the management believes it can finance its requirements through an issue of stock, rather than bonds, is a tribute to the strong credit rating of Illinois Central. Undoubtedly such an issue could be easily marketed for the preferred stock of this road would be as sound an investment as any of the seasoned preferred issues of the leading carriers. Let us assume this stock were issued with a 5% dividend rate, making the total annual requirements $2,500,000. Earnings for the past ten years, exclusive of 1919 and 1920, years of Federal operation, would have averaged $22.80 a share on the new stock, or over

4½ times the annual dividend requirements. Last year's earnings alone would have been equivalent to over $50 a share on the new stock, or 8 times dividend requirements.

So much for the status of the new preferred and its desirability as a safe medium of investment. Of probably greater interest is the position of the common with a $50,000,000 issue of preferred stock ahead of it.

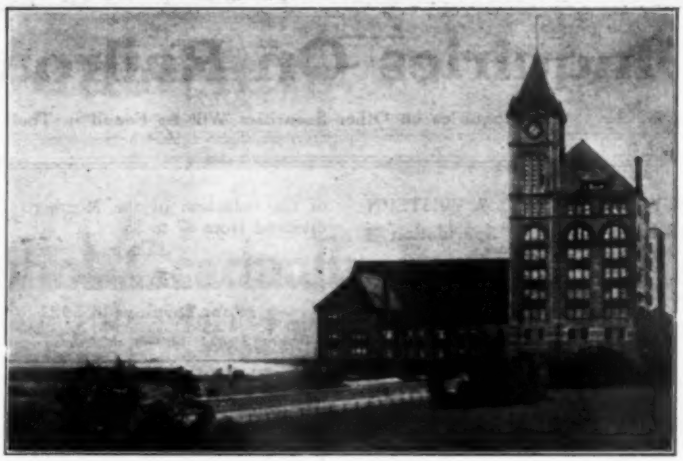
Assuming the proposed stock issue had constituted part of the capitalization of the company in 1916 and 1917, two years of railroad prosperity, the earnings of the Illinois Central R. R. would have been sufficient to show a balance of $13.90 and $11.60 per share of common, respectively. Earnings for the year 1921 would have been sufficient to show a balance of $15.75 a share on the common. For the first month of the current year Illinois Central reported net operating income of $1,588,584, or at the annual rate of $24,400,000, or sufficient to cover the estimated preferred dividends 7.7 times over and leave a balance of $15.40 a share on the common stock. With all factors pointing to improved business conditions there is every reason to believe that Illinois



Central will be able to do as well this year as last.

Outlook for the Stock

From the above facts it can readily be seen that the extreme attractiveness of the present outstanding capital stock will be very slightly detracted from because of the proposed issue of preferred stock. Illinois Central common at 100 is a very attractive investment with as good speculative possibilities as ever, which is saying a good deal. This issue is in much the same position as Atchison common, only probably more attractive because it is selling but $3½ higher and paying 1% more annually than the former stock. This stock has excellent prospects of increasing its dividende rate and with a continuance of the present rate of earnings an 8% annual disbursement might easily be made with considerable possibilities of the stock reaching the 10% rank of Union and Canadian Pacific.



Illinois Central R.R. Station, Chicago

Status of Company's Various Bond Issues

There are many attractive and gilt edge investments among Illinois Central's outstanding mortgage bonds, that is for the investor who is seeking the highest grade of railroad mortgage bonds which means a smaller return on the investment than can be obtained in the majority of high grade industrial and public utility bonds.

Of the underlying issues, first rank must be given to the 1st mortgage 3s, 3½s and 4s of 1950 and 1951, selling to yield about 4.8% to maturity.

These bonds are all equally secured under the original mortgage of 1874 and a "Further Assurance" indenture dated January 16, 1896. They are a first lien over 705 miles of original charter line extending from Chicago to Cairo, Ill., (all double track) and from Central Junction to East Dubuque, Ill. This is part of Illinois Central's most valuable mileage. The mortgage is a closed one. There are $13,000,000 of bonds in all outstanding, at the rate of but $18,426 per mile.

Other sound underlying bonds of the road are:

Louisville, New Orleans & Texas Ry., Col. Trust Gold 4s, of 1953.

Louisville Division and Terminal 1st Mtge. Gold 3½s, of 1953.

Illinois Central Collateral Trust Gold 4s, of 1952.

Springfield Division 1st Mtge. Gold 3½s, of 1951.

Cairo Bride Mortgage Gold 4s, of 1950.

Western Lines 1st Mortgage Gold 4s, of 1951.

Omaha Division 1st Mtge. 3s, of 1951.

Litchfield Div. 1st Mtge. Gold 3s, of 1951.

Chicago, St. Louis & New Orleans Cons. 1st Mtge. 3½s and 5s, of 1951.

Memphis Division 1st Mtge. Gold 4s, of 1951.

These bonds are all selling to yield between 4.9 and 5.25%.

The remaining Mortgage Bonds of the company, while not as close to the property as the above, are all of the highest types of investment and can be purchased by investors without the slightest hesitancy. The following list has been arranged in the order of security for each issue. All of the bonds yield between 4.9 and 5.3% to maturity:

Purchased Lines 1st Mtge. Gold 3½s, of 1952.

St. Louis Division & Tenn. 1st Mtge. 3s and 3½s, of 1951.

Sterling Trust Mtge. 3½s, of 1950.

Ref. Mtge. Gold 4s, of 1955.

Ill. Cent. Chi., St. L. & Mo. joint 1st Ref. Mtge. 5s, of 1963.

Secured Bonds

In addition to the above mortgage bonds there are two issues of bonds secured by deposit of mortgage bonds of the Illinois Central and Chicago, St. Louis &

(*Continued on page* 804.)

ILLINOIS CENTRAL

COMPARATIVE INCOME ACCOUNT*

(Actual earnings from operations)

	1921	1920
	(000 omitted)	
Gross operating revenue	$141,127	$145,154
Operating expenses	109,886	141,036
Operating ratio	78%	97%
Net operating revenue	31,241	4,118
Net operating income (after taxes, hire of equipment, etc.)	24,248	—511
Other income, estimated	7,000	7,200
Total income	$31,248	$6,689
Fixed charges, estimated	12,000	12,177
Times earned	2.6	.50
Balance available for dividends	$19,248	—$5,488
Dividend disbursements (7%)	7,650	7,650
Surplus	$11,598	—$13,138
Earned per share, estimated	$10.50	......

*Exclusive of the earnings of the Yazoo & Mississippi Valley R. R.

Inquiries On Railroad Securities

Inquiries on Other Securities Will Be Found in Their Respective Departments

NEW YORK ONTARIO & WESTERN

Stock an Attractive Speculation

Is it true that the Interstate Commerce Commission has given a valuation of only $45,000,000 to New York, Ontario & Western as compared with $85,100,000 value shown on the company's balance sheet? What value does this give to the stock and how do you regard it as a speculation? —W. A. L., Deer Lodge, Mont.

New York, Ontario & Western will protest as insufficient the valuation of $45,000,000 announced by the Interstate Commerce Commission. Claim has been filed for approximately $20,000,000 additional, including about $12,000,000 for trackage rights of the West Shore Railroad and about $8,000,000 further value claimed on equipment, etc. The Interstate Commerce Commission's valuation would give an asset value to the common stock of about $45 a share. At present levels of around 24, we regard the stock as having rather attractive long pull possibilities.

A GOOD LIST OF RAILS

Should Appreciate in Value

I own outright 200 shares of Atchison, 230 shares of Southern Pacific, 100 shares of Rock Island common and 80 shares of Missouri Pacific common. What do you think of my holdings?— D. W., Los Angeles, Cal.

In our opinion, you picked out a good list of railroad stocks. We are very favorably inclined toward Atchison and Southern Pacific.

Rock Island common is more speculative and as it has had a rather important advance recently, we would be inclined to take profits around present levels of 41, and switch into a good dividend paying stock like North American Co. pfd., paying $3 and selling around 43.

GREAT NORTHERN PREFERRED

Is the Dividend Safe

Will you kindly advise me through your columns whether, in your judgment, Great Northern will continue the present dividend?—C. C. S., Buffalo, N. Y.

Recently directors of Great Northern decided to make payments on the preferred stock semi-annually, instead of quarterly as heretofore. The next dividend will not, therefore, be acted on until some time in June. By taking this action directors will be able to consider the next three months' earnings of the road and will also be able to get a line on what the Chicago, Burlington & Quincy may be able to pay in the way of extra dividends to help the situation out, Great Northern owning 50% of the latter's stock. From this action it can be readily seen that the directors themselves are somewhat uncertain as to whether the present rate can be maintained. Everything depends on how earnings in the next few months will hold up. We are inclined to the opinion that the stock is in a doubtful position with regard to dividends, especially in the light of the reduction of the Northern Pacific dividend from $7 to $5.

SOO LINE

Poor Earnings in 1921

Before I had become acquainted with THE MAGAZINE OF WALL STREET, which has certainly opened my eyes to the haphazard methods I have used heretofore in investments, I purchased 25 shares of Minneapolis, St. Paul & S. S. M. common at 80. In view of the poor earnings it has been showing I am somewhat doubtful about the safety of my investment. Do you believe it advisable to dispose of this stock at present price of about 62?—S. A. C., Chicago, Ill.

It must be borne in mind that Minneapolis, St. Paul & Sault Ste. Marie stock, common, is not an investment, but a speculation. For the 12 months ended December 31, 1921, the company showed an operating deficit of $189,983, but based on its average return for the last ten years, the road has been able to cover its common stock dividend requirements, and, in view of the improved situation confronting transportation lines, as compared with the adverse conditions heretofore existing, we are inclined to believe that the common stock around present levels is a fairly good speculation, and we would, therefore, not recommend that you dispose of it at this time.

MISSOURI PACIFIC PREFERRED

Attractive for Long Pull

I am contemplating the purchase of some good railroad stock to hold for the long pull, as I believe that the railroads of the country face a better outlook for the next few years. My selection is Missouri Pacific preferred. What do you think of it?—L. L., New Orleans, La.

We agree with you as to a better outlook for the railroads, and, in our opinion, you have made an excellent selection in Missouri Pacific preferred as a desirable security to hold for the long pull. This company is in very strong condition financially and as soon as earnings pick up a little should feel justified in paying something on its preferred stock. For the year 1921 the company covered fixed charges, and with conditions decidedly more favorable for the current year, it is quite likely that the preferred dividend will be earned. The preferred stock is entitled to 5% and became cumulative in June, 1918, so that back dividends amount to about 20%. At present price of about 53, the stock has possibilities of a substantial appreciation in value should expectations of better earnings be realized.

ST. PAUL COMMON

Bought It at 106

I have 200 shares of Chicago, Milwaukee & St. Paul common bought at 106. What would you advise?—C. S. A., Toronto, Ont., Canada.

In view of the fact that you purchased your St. Paul common at $106 per share, you must have held it a very long time and are therefore interested in the long range point of view. It appears to us that this road has seen its worst and that there should be an improvement from now on. The reopening of the copper mines should mean more business and there is a likelihood of considerable increase in grain traffic. St. Paul, as you undoubtedly know, was largely crippled through the building of the Puget Sound extension, which as yet has not paid for itself. This territory is developing, however, and should do better in years to come. We would deem it inadvisable to take the large loss that this stock shows you now, although it must be regarded as decidedly speculative.

ERIE RAILROAD 4S SERIES A

A Speculative Bond

Will you favor me with information regarding your opinion of Erie Railroad bond Series A 4%. Do you consider it safe? Has the interest been defaulted? What denomination are the bonds issued in?—B. T. E., Savanna, Ill.

Erie Railroad 4s, Series A, are regarded as a decidedly speculative bond. In 1921 Erie showed fixed charges earned, but this is after receiving a very large dividend from its controlled coal properties. The outlook for the railroads is improved at the present time and there appears to be a fairly good chance of Erie Railroad coming through all right. We should say, therefore, that these bonds have speculative possibilities, but there is a very high degree of risk involved. The interest on these bonds has been paid regularly. They can be purchased in coupon form in denomination of $1,000. Registered bonds in denomination of $500 and $1,000. We are inclined to the opinion that these bonds are a little too speculative and would suggest instead Chile Copper 6s, selling around 86. These bonds give a return of 8% on the investment if held for maturity, which is 1932. Although not a gilt edge security, they are in a very strong position, in our opinion.

PENNSYLVANIA RAILROAD

A Switch Suggested

Some years ago I purchased 100 shares of Pennsylvania at 43. What do you think of this as an investment at the present time? Is there anything better you can suggest?—H. J. R., Johnsonburg, Pa.

Pennsylvania R.R. stock is speculative. The company did not earn its dividend disbursements during the past year, and while it has a very able management, which, as shown by late reports, has assumed a firm control over operating expenses, it remains to be seen what the final result will be. As a $2 dividend payer the stock at present levels would appear to be selling high enough, especially as there is little likelihood of any increase in the rate in the immediate future. There are many other stocks, in our opinion, with better possibilities of appreciating in value. A suggestion is Philadelphia Co., selling at about 37 and paying $3

Industrials

U. S. Industrial Alcohol

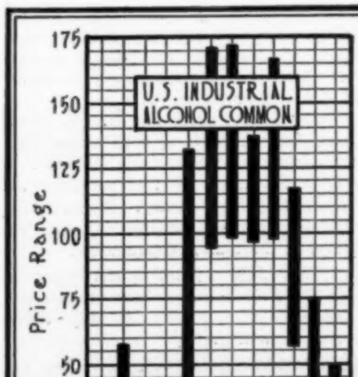
Industrial Alcohol Gradually Improving

Showed an Operating Profit in 1921—Finances in Sound Condition—German Competition Not a Serious Factor

By **FRED L. KURR**

UNITED STATES INDUSTRIAL ALCOHOL common stock has had a very meteoric career on the New York Stock Exchange and for a long time has been a speculative favorite. In 1919 the range in price was 70 points, in 1920 60 points and in 1921, 40 points. In considering the possibilities of this stock, therefore, it is very important to take cognizance of its present market position. In the June 10, 1921, issue of THE MAGAZINE OF WALL STREET a careful analysis of the company was published, which outlined the difficulties facing the company at that time, the inference being drawn that the stock was not particularly attractive at the price it was then selling, about 64. Subsequently it declined to 35¼ and in November, 1921, the dividend on the common stock was passed.

The position of the common stock at the present time is very different from that in June when the above mentioned article appeared. In June we were in a declining market and United States Alcohol was only selling about 8 points under its high of the year. Now we are in a constructive market and the stock is 25 points under its 1921 high. Moreover the outlook for the company is very much better now than it was then, the demand for its products has improved and several side lines have been taken up which promise to make substantial profits for the company. These factors in the writer's opinion are of sufficient importance to warrant taking a constructive view of the future market course of the common stock.



At the time of going to press the annual report of the company for 1921 had not been issued, but it has been semi-officially stated that a profit will be shown. This profit was probably not large enough to cover the dividends paid, but the deficit after dividends will be a small one in all likelihood, and in view of the huge profits piled up by the company during the war period the company can well afford this small loss.

Financial Position

The last balance sheet of the company available, as of December 31, 1920, showed the company to be in very strong financial condition and, in view of the fact that no important losses were taken in 1921, its financial condition at the present time is about the same as a year ago. As of December 31, 1920, working capital of the company was $9,600,000, of which $4,750,000 was cash and Liberty bonds.

There is unquestionably a very big asset value behind the common stock. In 1919 this stock was increased from $12,000,000 to $24,000,000, the new stock being offered to stockholders at $70 a share. During the war period approximately $14,700,000 surplus earnings were put back into the property. Add to this the cash received for the new stock and the total is equal to $96 a share on the common stock. This represents the value added to the stock since the war. Of course this value can be discounted to a certain extent, as considerable money went into new construction at inflated prices, but as the company has made liberal depreciation charges it should not reduce the value of the assets to a very marked degree. When it is considered that in the three years before the war the common stock had a price range of from 24 to 57 it can readily be seen that at present price of around 47 the stock is relatively low.

The Company's Products

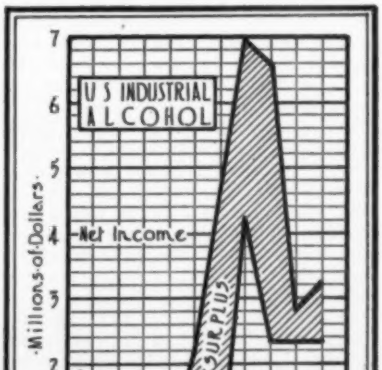
Of course earnings in the future cannot be expected to approach the huge profits made during the war period when they went as high as 50% on the common stock and in 1918 would have reached 100% if it had not been for the excess profits tax. Industrial Alcohol is the largest producer of alcohol in the United States and what is more important it is a low cost producer. Prior to the war the company made a large percentage of its alcohol from grain, but today most of this is produced from molasses, a residuum of cane sugar which insures a large supply at a very low cost. The molasses is known as "Black Strap" and is brought to the company's large storage tanks from Cuba and Porto Rico. The company owns a large molasses producing company and several steam lighters and tankers. Denatured Alcohol is still selling at a relatively low price, around 38 cents a gallon, which compares with a low of 34 cents in August, 1921. The company's operating efficiency, however, enables it to make a profit even at these prices.

German competition is a factor in the situation, although not a very serious one. The tariff offers sufficient protection in regard to the raw products, but in certain products of which alcohol is an important part such as cologne, etc., German competition is felt.

There appears to be excellent possibilities of good profits in some of the company's side lines. Alco-Rub, brought out some time ago, is going well and the company plans to push this article through a large advertising campaign in the current year. There is a very large margin of profit in Alco-Rub and if it continues successful should prove a good money-maker.

Another important product is Pyro, an anti-freeze mixture used in automobiles. This business amounts to between $2,000,-

(*Continued on page* 801.)



International Mercantile Marine

Marine's Position

How Company's Status Has Been Improved—Prospects for the Securities

By **FRANKLIN H. PEARCE**

THE annual reports of American corporations for the year 1921 are interesting answers to the question, "How much good, financially, did our war prosperity really do us?"

In most of the instances where reports have been filed, the answer is not particularly encouraging. The dissipation of unexpected wealth seems to have been an almost common weakness, and only a very few companies can boast of having really benefited from the boom.

International Mercantile Marine, the gigantic shipping combination of the present day, is one of the latter sort. Although this company's report for 1921 has not yet been filed, enough is known to indicate that Marine's war-time earnings were put to the best possible use, and that the company was found almost totally damage-proof during the hysterical business collapse of last year.

The Company's Soundness

From the standpoint of the present security holders in International Mercantile Marine, the company's history dates from the first year of the World War. It was reorganized in 1914.

However, to get an idea of the company's soundness and earning power, it is necessary to go back to pre-war years, when the shipping business was on a more normal basis.

Before the war, International Mercantile Marine was struggling along with a massive funded debt—a total debt, in fact, of well over $83,000,000. Its fixed charges in 1912 reached the peak of $3,898,000—an enormous burden for a company whose total earnings were only about half again as large. Furthermore, there was the handicap of a very meagre working capital. This item, in 1914, stood at only a little above $2,300,000. Although later events have proven that the company could have muddled through despite these handicaps, it was apparent that it was carrying too heavy a load for its best interests.

The gloomy chapter in the company's affairs was brought to a climax in October, 1914, when the great International Mercantile Marine was thrown into receivership. P. A. S. Franklin, then a vice-president of the old company, who has since become one of the really prominent figures in the shipping world, was appointed receiver.

Out of the receivership there was developed the financial program which, with the aid of war-time profits, has brought the company from a position of insecurity to one of relatively impregnable strength.

The reorganization called for retirement of the company's old 4¼% and 5% bonds, which had totaled some $78,000,000, interest on both being in default; The holders of these bonds were given 43% in cash, plus unpaid coupons and interest, and 57% in a new issue of first mortgage and collateral trust 6s, due October, 1941.

To effect this reorganization, only a comparatively small amount of the company's war earnings was needed. The next effort was to build up the company's asset position—a step that was much facilitated by the discharge of Mr. Franklin as receiver and his election to the presidency of the company. Another glance at Table I will show what has since been accomplished in this direction. The company's diminutive working capital has been increased by almost 33 millions of dollars.

S. S. HOMERIC

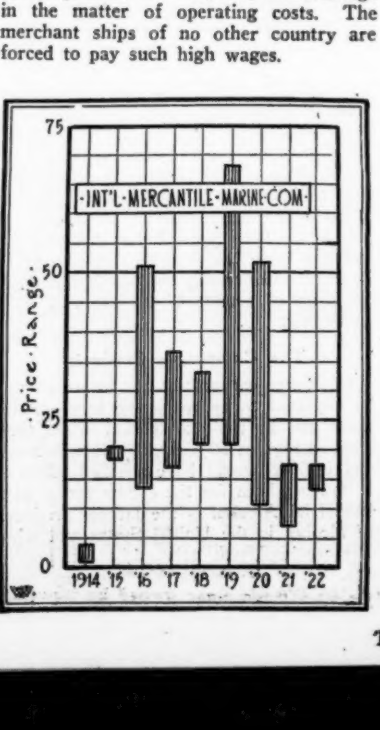
A new 33,526 ton addition to the White Star fleet

A corresponding change for the better is to be found in the company's liquid position. Cash, for example, which stood at $4,251,000 in 1914, was above $18,000,000 in 1919; at the close of 1921, although reduced, it will still be found at a comfortably high point.

Recent Progress

Developments in the last three years have not, of course, been in favor of industry at large, particularly the shipping companies. Rates have suffered a considerable reduction, and there has been an immense falling off in merchandise shipments.

In addition, American transport concerns have operated at a distinct disadvantage in the matter of operating costs. The merchant ships of no other country are forced to pay such high wages.



As a sort of final touch to the American shipping situation, there is the immigration law to consider which is now in effect. By this law, the number of persons immigrating to the United States from any one country was restricted to 3% of the number of immigrants from that country residing here as of 1910. This law would exert its chief influence on the third class passenger movement, naturally, and was destined to materially affect earnings, especially of Mercantile Marine, since the third-class passenger movement has long been one of this company's chief sources of revenue.

Recent months have produced some offsets to the situation developing from these factors. There has been an increase in the total passenger movement over the period. The recovery in the English Pound Sterling, in which currency a great proportion of Marine's marketable investments exist, has correspondingly strengthened the company's reserves.

Another factor which has not yet materialized but which, if it does materialize, should prove of far-reaching influence is the Government proposal to subsidize the American shipping industry. Digesting the outstanding features of the proposal, the subsidy, in the main, recommends:

(1) That 50% of all aliens admitted under the 3% restricted immigration law be forced to book passage on ships flying the American flag.

(2) That the coastwise laws be extended to the Philippines.

(3) That the army and navy transport service on the Pacific be discontinued and this traffic turned over to private interest.

(4) That hearings be held to determine the advisability of putting into effect Section 28, which restricts the railroads in granting export rates to shipments of com-

modities to be carried on American bottoms.

(5) That American crews on arrival in foreign ports receive only one-half the pay earned, to reduce desertions.

The proposals, as outlined, are of practical significance only as reflecting the attitude of the administration towards the shipping industry. They will have no practical significance until they get considerably beyond their present status in legislative circles.

Outlook for Securities

With its financial position strongly bulwarked, charges gotten well in hand, International Mercantile Marine is in much the same position as the better-grade railroad companies: It is prepared to take full advantage of any upturn in trade, but not to be expected to increase its earnings much until that upturn occurs.

The company's securities, all of which are widely held and active in the market, offer interesting trading possibilities. They include the following:

Outstanding	*Class*
$37,313,000	1st Mortgage & Collateral Trust Gold 6s, due October 1, 1941.
51,725,000	6% Cumulative Preferred Stock (Par $100).
49,872,000	Common Stock (Par $100).

The collateral trust bonds, which were very completely described by J. R. Crandall in the April 16, 1921, issue of this magazine, are selling at present around 95½. (When Crandall recommended them they could be had 12 points lower.)

With Mercantile Marine's net worth established at $228,942,691 (see Table I) there was a balance as of December 31, 1920 of over $218,000,000 available for these bonds, equivalent to more than $5,000 for each $1,000 bond. In the year just completed, there has undoubtedly occurred a large shrinkage in the value of the company's property investment, but the depreciation reserve which amounted to over $54,000,000 in 1920, should amply offset this charge. The position of the bonds is further strengthened by the fact that they are subject to a cumulative sinking fund of 1% annually, of the total amount issued.

A glance at Table II, showing the company's earnings record as applied to fixed charges, indicates the extent to which fixed charges have been reduced since 1914. What is more to the point, the record shows that the company's charges, on its present funded debt, were earned by a good margin even in the disastrous year 1914.

At the prevailing price of 95, these bonds yield 6.5% to maturity. They are a reasonable attractive business man's investment.

TABLE I—COMPARATIVE BALANCE SHEET

As of December 31.

	1914	1919	1920
Current Assets:			
Cash	$4,851,478	$18,909,587	$17,022,958
Marketable Securities	479,104	36,563,087	55,522,220
Receivables	5,598,597	31,823,448	21,602,048
Inventories	819,492	1,936,040	2,366,990
Total	$11,148,671	$89,232,162	$96,514,206
Current Liabilities	8,813,035	65,709,097	61,306,014
Working Capital	$2,335,636	$23,523,065	$35,208,192
Property Account (depreciated)	169,748,244	155,118,686	177,999,602
Investments in Other Companies	14,893,502	18,136,179	7,217,809
Other Assets	3,033,872	6,140,714	8,517,088
Net Worth	$190,011,254	$202,928,644	$228,942,691
Available for:			
Subsidiary Company Debenture Bonds, etc.	$12,808,113	$9,379,658	$9,073,193
I. M. M. Bonds	70,226,000	38,250,000	37,606,000
6% Preferred Stock	51,725,721	51,725,500	51,725,500
Common Stock	49,872,110	49,872,000	49,872,000
Sundry Reserves, etc.	4,412,842	23,422,944	49,009,025
Surplus	966,468	30,278,542	30,556,973
Total	$190,011,254	$202,928,644	$228,942,691

TABLE II—TEN-YEAR INCOME RESULTS

	Available for fixed charges	Fixed charges	Times earned
1911	$4,101,357	$3,864,290	1.06
1912	3,732,217	3,898,414	0.98
1913	5,878,265	3,850,089	1.53
1914	3,310,585	3,613,113	0.91
1915	17,387,571	3,805,910	4.57
1916	25,475,155	3,698,028	6.88
1917	14,551,826	2,798,317	5.20
1918	12,428,789	2,789,763	4.07
1919	15,903,459	2,737,345	5.81
1920	10,073,492	2,637,690	3.82
1921	7,000,000*	2,637,690	2.65

*Estimated.

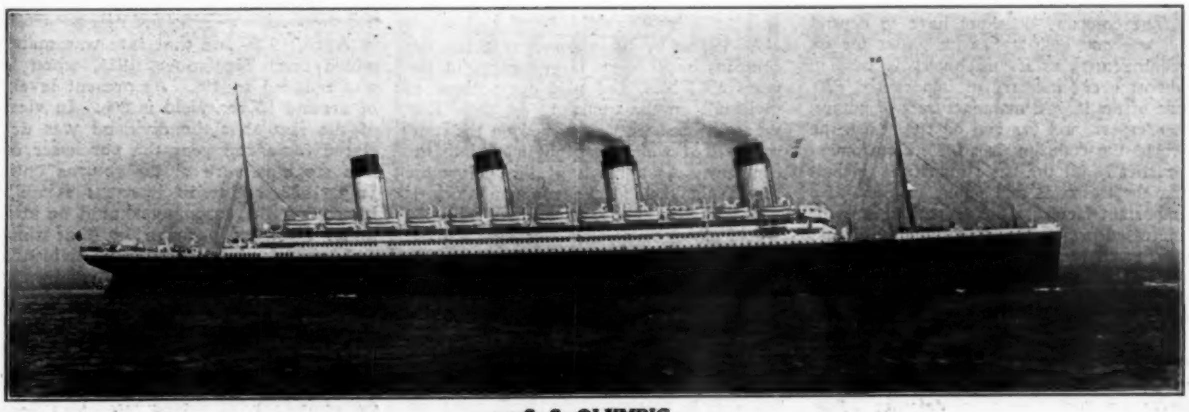
Conclusions

The preferred stock is receiving 6% dividends at the present time. Earnings available for this issue will approximate $10 a share for 1921, and should improve slightly, at least, in the current year. In other words, the dividend on this issue appears quite safe.

There seems little, if any, likelihood that the preferred shares will receive in any early period any part of the 42% back dividends due upon them. The last payment on account of back dividends was made in the first half of 1920, when earnings were running at almost double their present rate. Inasmuch as it has been the company's declared policy to make payments to this account only when earnings justify, a considerable change for the better would apparently have to occur before the present preferred holders would look for arrearage payments.

Considered solely on the basis of its current dividend, the preferred, which is selling at 70, yields about 8.6%—an attractive yield. Nevertheless, while shipping conditions continue in their present state, the issue must be classed as speculative.

The common shares are now selling at 16. As the attached price chart on these shares shows, the issue fluctuates in a very interesting fashion and has correspondingly good trading possibilities. This issue of course, has very little chance of sharing in dividends for a very long period, considering the accumulated back dividends on the preferred stock which must be paid first. Therefore it cannot be recommended from an investment viewpoint. However, in any broad market for the preferred stock in which the latter would show a good advance, the common would no doubt be sympathetically affected and move accordingly.



S. S. OLYMPIC

White Star's 45,439-ton liner owned by Mercantile Marine

Worthington Pump & Machinery Corp.

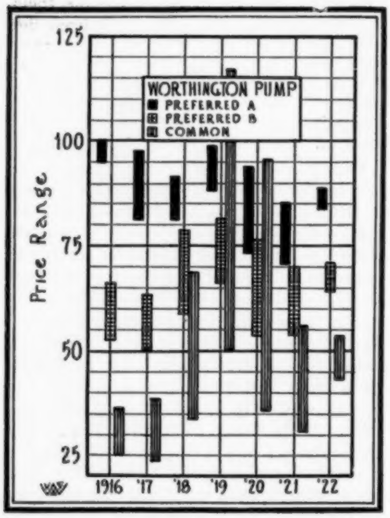
An Excellently Managed Industrial

Sound Financial Position—Improving Trade Prospects—Outlook for the Company's Shares

By **FREDERICK LEWIS**

ALL things considered the Worthington Pump & Machinery Corporation came through the period of depression in rather good style. For the year ended December 31, 1921, a deficit after dividends of $1,849,035 was reported but this deficit was entirely due to depreciation in inventory of about two million dollars that was written off during the year. Had it not been for this loss in inventory the company would have earned slightly over $6 a share on its common stock.

While Worthington piled up very large profits during the war period it should by no means be classed as one of the war brides as its products are peace-time products and it has entirely adjusted itself to a peace basis. All that this company would appear to need for its prosperity is normal business conditions.



Diversified Products

The company does not have to depend on any one industry as an outlet for its manufactures as its machinery is used in almost every industry of importance. As one of the largest manufacturers of pumps, condensers, and gas and oil engines in the world the company has for its customers practically all the basic industries, including the railroads and public utilities. An important factor at the present time is the increased prosperity of the public utilities; this means increased construction and rehabilitation and more business for Worthington Pump. The better outlook for the railroads is also a favorable development.

In addition to a dominant position in the domestic market for its products the company is very well established abroad, having branches in all parts of Europe. It has manufacturing plants at Le Bourget, France; Berlin, Germany; Budapest, Hungary, and Newark-on-Trent, England. These plants are operated through subsidiary companies. While its business abroad has not recently brought in large profits the outlook for this end of its business is decidedly encouraging.

That the management is very confident of the immediate future of the company is evidenced by the fact that in September, 1921, the directors declared dividends on the common stock for a full year in advance at the rate of $4 per annum, payable in quarterly installments of $1. So far as its financial position is concerned the company was amply justified in this dividend action. As of December 31, 1921, there was a working capital of over $16,000,000, of which $6,400,000 was represented by cash and Government securities. When it is considered that the total capitalization is less than $30,000,000, this is an unusually sound financial condition.

Sound Financial Policy

Worthington Pump is one of the small and select group of industrial companies that made huge profits during the war period and conserved the bulk of this war prosperity in a liquid form. Comparatively little new construction was undertaken when prices were inflated, and as a result stockholders have the pleasure of seeing in the balance sheet a nice fat cash account.

Among the company's newer products is the new marine Diesel engine, smaller semi-Diesel engines for commercial purposes and locomotive feed water heaters. In the marine Diesel engine, the company has designed, built and thoroughly tested a merchant-marine type fuel-oil engine of large size which is considered the equal of any yet produced in Europe. While under the present slump in the shipping industry demand for such engines is not large, it is a product that offers excellent possibilities of future profits.

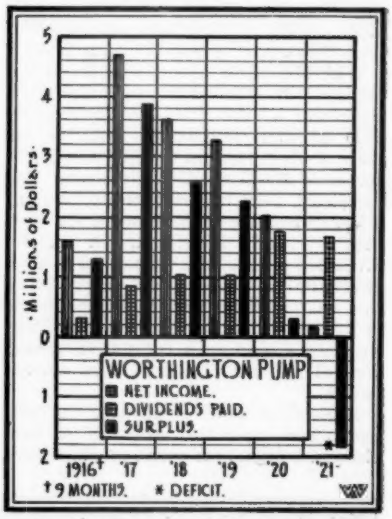
Large Asset Value

As shown by the accompany graph the company made very large profits in the years 1911-1919, and paid out nothing in dividends on the common. In these four years $84 a share was earned on the common all of which was put back into the company. As a result of this policy the asset value behind the common stock is very large, a most conservative valuation would place this at well over $100 a share.

Dividends have been paid on the $5,592,833 preferred A stock at 7% continuously since the formation of the company in 1916. Dividends have been paid on the $10,321,671 preferred B stock at 6% since July, 1917. The class B 6% preferred stock was made junior to the Class A stock as to assets and dividends until full dividends had been paid on both classes of stock for three successive years. With the payment of the dividend on April 1, 1920, the Class A stock ceased to have priority. Another provision attached to the Class B stock was that dividends should be non-cumulative up to April 1, 1919, and cumulative thereafter Class A stock is subject to redemption at 115 and Class B at 105. At the present price of about 85 the 7% Class A stock yields 8.29% on the investment and at present price of 70 the 6% Class B stock yields 8.5%. In view of the fact that the working capital alone is equal to the par value of the two issues (the bonded debt is only $490,300) it would appear that they are both in a very strong position and can be regarded as an attractive business man's investment. As these issues become more seasoned they should be given a better investment rating and sell at higher levels.

Conclusion

Dividends on the common stock were started at the rate of 6% per annum



in April, 1920, and that rate was maintained until September, 1921, when it was reduced to 4%. At present levels of around 50 the yield is 8%. In view of the fact that the dividend was declared for a full year the purchaser of this stock is sure of his returns until July, 1922, and with business steadily improving the company should be in a much stronger position by that time and warranted in continuing dividends at at least that rate. At 50 the common stock is up twenty points from its low of 1921 and 6 points from its low of this year. A reaction from present levels due to the technical position of the stock of course might easily occur but based on the strong financial condition and big asset value the stock looks attractive for the long pull.

Certain-teed Products Corp'n.

Readjusted and Ready for Better Business

Certain-teed Management Brings Company Through 1921 on Sound Basis—Sales Now Improving

By **JOHN M. MAXWELL**

THE net conclusion reached from an investigation of Certain-teed Products affairs is that a promising company, after suffering severely from the business collapse of last year, has readjusted its finances and business organization very thoroughly and is in a position to make the most of any improvement that sets in in demand for its products. An optimistic view is therefore justified, at least as regards the concern's immediate future, since sales in recent months have taken a considerable upturn and give promise of improving further.

A STEP IN THE CERTAIN-TEED PROCESS
Feeding rags to cutting machine from which they are drawn by suction and fed into mixing apparatus.

In the time that has passed since the company's organization, back in 1917, Certain-teed has developed along more or less natural lines. There was the period of original organization, during which the company was built up around the old General Roofing Company. Then, as the outcome of the bustling years of 1918, 1919 and, in part 1920, in which the company's earnings increased very substantially, there was the period of expansion, marked by the acquisition of Thomas Potter Sons, Inc. Last year (1921) was the test period, in which a certain degree of retrenchment and readjustment was made necessary. The character of the management was indicated during this period, as it involved radical cuts in prices, wages and salaries, as well as a thorough over-hauling of the company's industrial structure.

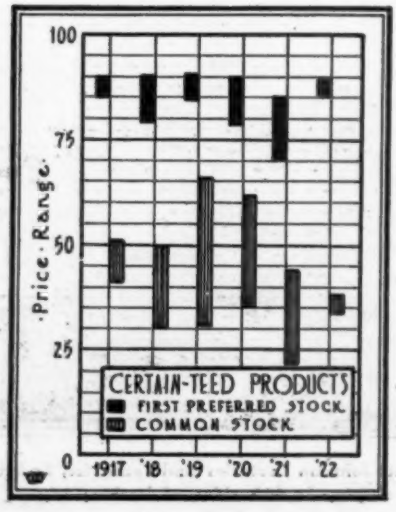
Its Products

Certain-teed Products Corporation which may be ranked as one of the three largest manufacturers in its field, has an extensive list of products. Grouped under the main headings of Roofing, Paints, Varnishes and Floor Coverings, the company manufactures.

- Prepared Roofing
- Dry Felt
- Building Papers
- Tarred Felt
- Insulating Papers
- Plastic Cement
- Creosote Light Oils
- Pitch
- Paint
- Enamel
- Stain
- Varnish
- Linoleum
- Felt Base Floor Covering
- Oil Cloth

As may be confirmed from the list as given, the company is, to a great extent, both a good-time and a bad-time earner. That is, its products have a market under conditions in which new construction is being undertaken on a large scale; or, they have a market when repair and renewal work is all that general business conditions warrant. A large proportion of its principal commodity, prepared roofing, is used in repairs and replacements.

In respect of plant facilities, sales representation and warehouse facilities, the company is very amply supplied. For the manufacture of asphalt roofing and allied products, the company has large plants at East St. Louis, (Ill.); Marseilles, (Ill); York, (Pa.); Richmond, (Cal.) One varnish plant is located in St. Louis (Mo.), and an additional plant capable of meeting its paint requirements is located in the same city. Through the acquisition of the Thomas Potter Co., Certain-teed obtained title to a large linoleum manufacturing works in Pennsylvania. Sales representation is had through offices scattered throughout this country, and there are large warehouse facilities.



The Company's 1921 Results

The latter part of 1921 found the Certain-teed Products Corporation pretty well extended. The company's obligations had been increased by $2,200,000 of purchase money obligations, issued in connection with the absorption of the Thomas Potter subsidiary. Substantial inventory losses had come over from the previous year. The company had found it necessary to assume bank loans which, at their peak, reached as high as $2,000,000.

It was at this point in its career that drastic action on the part of the management of the company was called for. The fact that the management met the situation squarely no doubt accounts in large measure for the relatively excellent position Certain-teed is in today.

The first step was a thorough overhauling of the entire industrial and financial structure, in which every cost item was microscoped and no means of reducing expenses overlooked. Salaries and wages, from that of the president down, were cut; warehouse space, where it could be dispensed with, was released, arrangements being made for jobbers to carry stocks at these locations. In fact, the company's entire manufacturing, administrative and distributing machinery was put on the most efficient basis attainable. Activities in this direction were accelerated by the cut of approximately 30% that had been made in the selling price of the company's products.

How much constructive good was accomplished may be gleaned from the statement showing the company's position by the end of the year. As a crowning point, it is noted that the $2,000,000 in bank loans had been entirely erased. By issuing and selling at par, in December, an additional $660,000 par value of 1st preferred stock, the company was able to reduce its purchase money obligations from $2,200,000 to $1,540,000 and, which is even more important, to extend for two years the time of maturity of the first instalment (the purchase money obligation is a serial obligation). In brief, the company was

(Continued on page 799)

Leather Industry Recovering

Shares Identified With the Hide, Leather and Shoe Industries in a Greatly Improved Position

By **JOHN MORROW**

THE market action of the shares of the companies representing the hide and leather and shoe industries suggests plainly enough that financial sentiment considers that 1921 recorded the end of the absolute depression. Market levels of the leading stocks in this group are substantially above the lows of 1921, and the moderately slow advance is continuing.

Late in 1920 and continuing into 1921 the bottom dropped out of prices for hides and demand seemed to disappear almost overnight. Since then it has been a question of inventory adjustment and the liquidation of accumulated stocks. Prices, while relatively stabilized, are still subject to minor fluctuations, but trade opinion is that while improvement may be gradual and even slow, conditions are such as to warrant the prediction that such improvement will not be seriously interrupted.

Recently stock market attention has been directed toward the leather stocks to a greater degree than for several months past, and a review of the position of the leading companies is of pertinent interest.

ENDICOTT JOHNSON

Splendid Financial Position

Endicott Johnson was one of the exceptions of 1921,—one of the few corporations that bettered the record of 1920 and operated to such good effect that earnings on the common shares were substantially in excess of dividend requirements. In fact, the remarkable showing has given rise to reports that there was a possibility of an increase in the current dividend rate on the junior stock, which is 10% or $5, the shares having a par value of $50.

Endicott Johnson, in its present corporate form, was organized in the Spring of 1919. In the three years ended December 31, 1921, total earnings upon the common stock were between $30 and $31 per share, after allowing for the amount payable to employees under the profit sharing plan and debiting the annual amount required for retirement of preferred stock. The corporation has outstanding $14,100,000 7% cumulative preferred, par value $100, and $18,856,825 common stock, par value $50. The common stock has been increased from the original amount of $14,000,000 by the declaration of stock dividends.

As long ago as last Summer, when most lines of industry were in the doldrums, Endicott Johnson turned out 95,000 pairs of shoes daily, and early this year daily production was upwards of 115,000 pairs. The greatest demand last year was for medium grade shoes and the company was quick to adjust prices to meet the purchasing power of consumers. The company also took full cognizance of existing industrial conditions, and included in the 1920 statement was a deduction of over $7,000,000 for inventory losses. This having been absorbed, the management was in an excellent position to operate on a relatively normal basis last year. At the end of 1921 bank loans were under $6,000,000, as compared with $10,000,000 at the end of 1920, and in fact borrowings at the end of last year were less than in any year-end total since 1918. Commenting upon the prospects for 1922, President Johnson said that they were bright and pointed out that the actual increase in the number of pairs of shoes shipped in 1921 over 1920 was more than 2,000,000.

Conclusion

Endicott Johnson has paid regularly the dividends upon the preferred stock since incorporation, and these senior shares are now entitled to a good investment rating, although their market price is still considerably under the levels of the very highest grade preferred stocks. It is reasonable to suppose that there will be a gradual improvement in the market price of Endicott Johnson preferred, and it offers itself as an attractive issue.

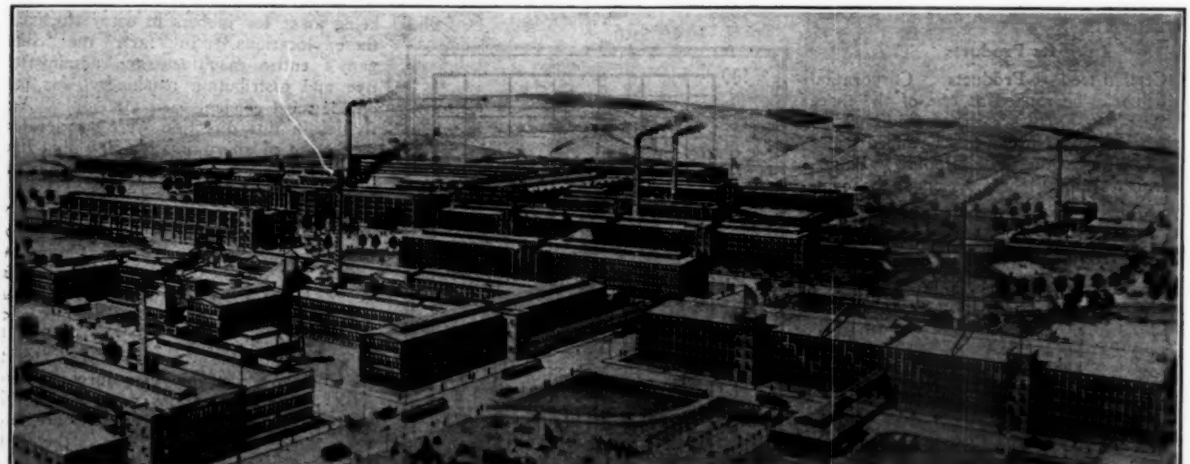
The common stock was not slow to reflect the earning power of the corporation in a year of severe competition, for making money in 1921 was a far different proposition than during the war boom when the main question was to take care of the demand which fairly hurled itself at the manufacturer. The low point for the common in 1921 was 52, and from that level the advance to around 80 was steady. Above 80 there seemed to be a considerable amount of profit-taking and during recent weeks the shares have stood still, in a relative manner of speaking.

An increase in the cash dividend rate in the near future may not be assured, but the company has shown such earning ability that there is certainly no disposition to question the safety of the $5 dividend. It is likely that as general business becomes more active and the purchasing power of the rank and file increases, we shall hear more of the possibility of an increase in the common dividend rate. The stock appears to be not overly inflated even after its big rise.

CENTRAL LEATHER

On the Way to Recovery

Central Leather apparently faced recovery during the Fall of 1921, for in the closing three months of the year the company showed a net profit, after eighteen months of uninterrupted deficits, which



Birdseye View of Endicott Johnson Factories and Tanneries, Endicott & Johnson City, N. Y.
118,000 pairs of shoes daily output, 16,500 sides of leather; 14,000 employes, 85 acres floor space

accumulated a total loss of almost $37,000,000. The result was that a profit and loss surplus of over $30,000,000 at the end of 1919 has been turned into a profit and loss deficit of almost $7,000,000.

Dividends upon the common stock, which had been at the rate of 5% annually, were suspended in August, 1920, and preferred dividends were passed on July 1, 1921.

In January, of this year, after an advance in hide prices, the whole industry slowed down considerably, and it is not assured that the first quarter of 1922 will show a measurable profit after necessary charges. The point to bear in mind, however, is the fact that Central Leather has absorbed losses incurred during the great slump in the hide and leather industry and is now in a position where, in all probability, it will not be necessary to make further inventory adjustments.

Leather Prices Stabilized

While operations decreased early this current year, price fluctuations are relatively minor and have not the effect of a year ago upon the position of the company. Furthermore, when business begins to come back actively, possibilities exist of an almost over-night change in Central Leather's profit and loss position.

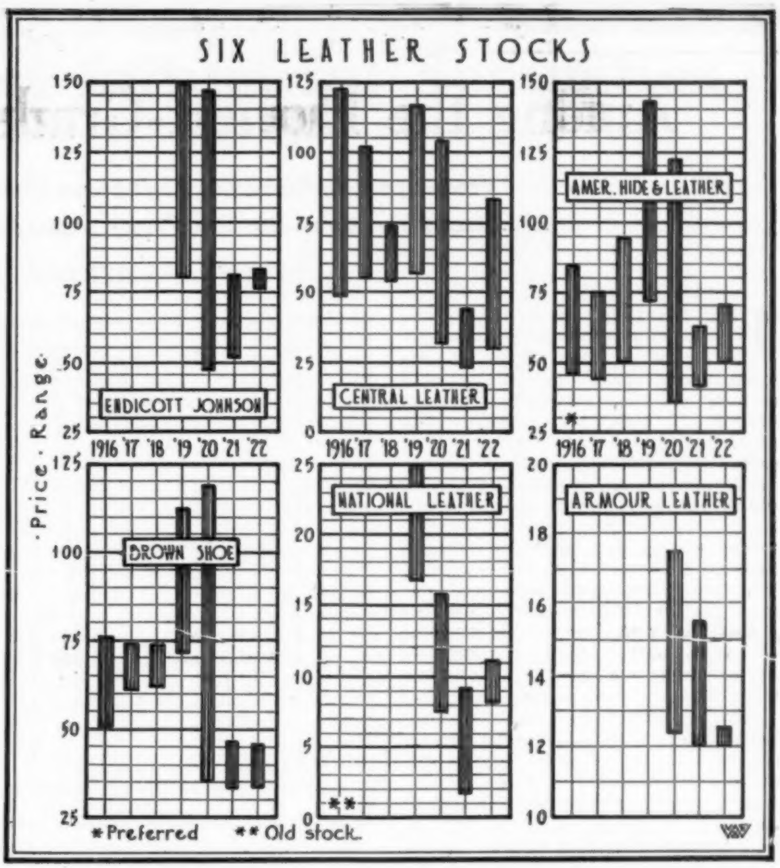
The hide and leather industry always has been noted for its severe fluctuations, and the earnings record of Central Leather has been irregular during the last decade. Earnings immediately prior to the war upon the common stock were only fair, but in the five years ended December 31, 1919, a total of about $115 a share was earned upon the common stock. Subsequent depression as has been shown, more than wiped out the accumulated surplus and created an "accumulated deficit."

Conclusion

The market action of Central Leather shares has indicated that trading sentiment believes the company has seen the worst and is on the way to slow recovery. The preferred stock made a low of 57⅛ in 1921, and at this writing has recovered 16 points, although there is no present idea that dividend resumptions are a question of the near future. Nevertheless, the opinion undoubtedly exists that, given a measurable recovery in business, Central Leather will be able to resume dividends upon the senior shares, and that therefore the stock between 70 and 75 is a well-worth-while speculation. It is a cumulative issue, with approximately one year's accumulations due. This, naturally, adds to the speculative value.

The preferred stock is preceded by $26,000,000 first lien 5% bonds due 1925. There has been no question over the integrity of the issue. Even allowing for the impaired state of the company's condition the bonds look to be a safe short term investment.

The low point for the common stock in 1921 was 22⅛, and the rise from that level has been over 16 points. The present price is above the high figures reached in 1911, 1912, 1913 and 1914, but far under war-time highs. Of course, the common is in absolutely a speculative position and is not exactly on the bargain counter. It seems as if it might be conservative policy to wait for more definite signs of a restoration of earning power, although in a speculative market it might have a good advance.



EARNINGS OF FOUR COMPANIES

(National Leather and American Leather omitted because of inconclusive showing owing to deficits since incorporation)

	Per Share Common Stock 1917	1918	1919	1920	1921
Endicott-Johnson	....	....	$15.23	$5.46	$9.50
Central Leather	$30.42	$10.44	30.12	Def.† 25,751,666	Def.† 11,651,426
Amer. Hide & Leather*	13.56	18.35	20.73	5.50	Def.† 550,320
Brown Shoe	22.04	16.61	18.21	0.34	Def.† 1,125,753

†Deficit, total. *On preferred stock.

American Hide & Leather fiscal year to June 30, except 1921, where it conforms with calendar year. Brown Shoe fiscal year ends Oct. 31.

AMERICAN HIDE & LEATHER

Inventory Adjustment Completed

During the war period the great question concerning American Hide & Leather was the financial readjustment of the company. Accumulated preferred dividends on the preferred stock, which is a 7% issue, amounted to 119¾% on January 1, 1922. The prosperity of the war years enabled the company to pay dividends on the preferred stock from 1916, but they were suspended in January, 1921. The back payments referred to were mostly accumulated prior to the war period, and the question of a readjustment centered around the method of clearing off the accumulations. Several plans were tentatively suggested, but before any of them could be successfully consummated the depression in the industry hit the company and all thought of a reorganization was dropped.

In the nine months ended September 30, 1921, American Hide & Leather reported a deficit of $757,000 after depreciation, but this deficit was due to the poor showing in the first quarter of the year, as in the second and third quarters the company made money. The loss from operations for the year ended December 31, 1921, after providing for depreciation and interest on loans, was $551,000, indicating a further profit in the final quarter of the year. Since March 31, 1921, inventory adjustments have not been necessary. Approximately $6,950,000 had been applied from earnings for this purpose.

One point in connection with the company to be remembered is that no definite settlement, has been made with the Government in regard to Federal taxes from 1917 to date. Additional taxes are claimed by the Government, but this has been opposed by the company, with no decision as yet.

Conclusion

It would seem as if American Hide & Leather preferred, considering the accu-

(Continued on page 802.)

Otis Elevator Company

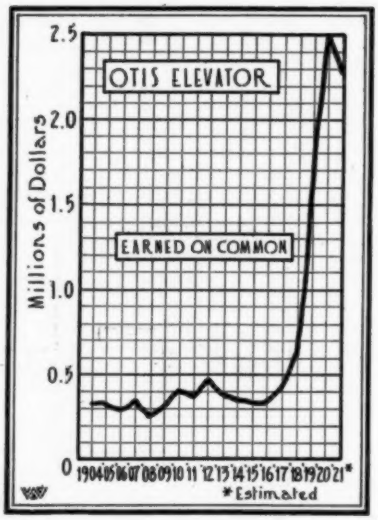
Among the Highest-Grade Industrials

Years Spent in "Building Up" Have Placed Otis in Strong Position—Stock a Prime Industrial Security

By **PERRY A. EMERSON**

THE Otis Elevator Company was formed in 1898, as a consolidation of a round dozen of domestic corporations engaged in the manufacture of elevators and allied lines. Extensive plant facilities, centered in five important cities, were either taken over or erected subsequently, as well as a great number of efficient marketing and service stations located at strategic points throughout the United States. Solely as a manufacturing proposition, the Otis Elevator Company now occupies the forefront in its field, being equipped to construct all the essential units requisite to its finished products, including elevator cabs and enclosures, locks, shafts, worm gearing, etc., etc.

The company has also built up a foreign representation of impressive proportions, including either entire or majority common stock interest in operating companies in Canada, England, France, Germany and elsewhere. Comparatively meagre, if any, results were obtained through this field, of course, during the period of the war, but evidences are multiplying that the Ateliers Otis-Pfre (France), the Wawgood-Otis, Ltd. (England), and the Otis Aufzugswerke (Germany), and other foreign representatives of the Otis Company, are in line for enlarged markets and should eventually prove a source of lucrative earnings for the domestic corporation.



A Remarkable Showing

The Otis Elevator Company has had a good earnings record since organization,—nor was the record marred even during the periods of pre-war and post-war business depression. As the accompanying chart record of the earnings results will show, the amounts over and above charges available for the common shares maintained a consistently even average up to and including 1917.

The outstanding feature of the company's returns, however, was the notable upturn reflected for the first time in the 1918 report. In that year earnings available for the common increased almost 50% over the previous year, while, in 1920, Otis Elevator was able to show over $2,490,000 available, after substantial charges and reserves, for the common stock, or more than six times the amount shown in any other year prior to 1917 and from the time the company was formed.

In 1921, it might have been imagined that the company's results would be considerably diminised. The universal depression that characterized business in that year might have been expected to be shared by Otis Elevator. Salesmanship that had forced carrying over into 1921 a very large amount of business that could not be handled in the previous year, however, placed the Otis Company, in so far as earnings were concerned, almost in a class by itself, at least in the early months of the year. Later, there was a drop in the amount of business handled, and also in the company's earnings; but a good recovery set in in the final quarter. As a result, it is expected that, for the whole year of 1921, Otis Elevator will be able to approximate the exceptional earnings scored in the previous year. If these expectations are borne out by the company's annual report, Otis may be fairly said to have come through depression with flying colors.

Financial Position

What has probably contributed in large measure to the Otis Company's results, considered together with the growth in its markets and the quality of its products, has been the success the management has had in maintaining the company in a highly liquid position. In the period of its greatest growth a striking gain was effected in the company's working capital position, which compares year by year, as follows (000 omitted):

Year	Working Capital
1915	$4,425
1916	3,863
1917	4,750
1918	4,870
1919	7,806
1920	9,158

In the process of building up its asset position, the company also completely eliminated bank borrowings, although this item had reached sizeable proportions in previous years. Contrary to the experiences of other corporations, it was furthermore able to show a reduction of over $2,000,000 in inventory account as of December 31, 1920.

The accompanying elimination of the company's funded debt is also a factor to consider in connection with its improved financial status. As a final point, there is the building up of the cash item, which, at the present time, is understood to be at an unusually high point.

The Common Stockholders

Common shareholders in the Otis Company had some years to wait before receiving any special attention. Dividends were not paid on the common until 1903, when 2% payments were inaugurated; the rate was increased in 1907 to 3%; in 1911 to 4%; in 1914 to 5%.

Last year, however, the common stock received quarterly dividends of 2% and an extra dividend of like amount, totaling 10% for the year. Also, the company's large earning power and excellent results led to the disbursement of a 50% stock dividend to holders of the common stock.

There is something almost as unique about the outcome of this stock dividend, from the shareholder's viewpoint, as about the company's remarkable financial performances. It became payable when the former stock was selling at 136. Following the disbursement, the new stock sold at 86, representing a paper loss of 33 1-3% in the market value of the shares. Since then, the stock has mounted steadily upward, and it is being dealt in at this writing in the neighborhood of 140. Thus, the fortunate investors who have stayed with the issue could now dispose of it at a price equivalent to $209 per share for the old stock, or at a profit of not less than 73 points as compared with the pre-dividend price!

Conclusion

The Otis Elevator Co., doing an essentially peace-time business, with ample capital on hand to do a very much larger gross business than it ever has done, and with building construction going forward at a satisfactory rate, should maintain its good earnings during the current year.

The preferred stock, 6% dividends on which are being more than amply covered, is a prime industrial investment security.

The common stock outstanding consists of 142,276 shares, on which dividends of at least 8% and, probably, 10% are expected, is believed in some quarters to be in line for another stock dividend. The price at which this issue is now selling (140) reflects well-informed confidence in its future, since it is rather closely held. It is a high grade industrial investment with excellent market possibilities even considering its already large advance.

Inquiries On Industrial Securities

Inquiries on Other Securities Will Be Found in Their Respective Departments

WILLYS-OVERLAND

Situation Uncertain

I hold 1,100 shares of Willys Overland common stock purchased at an average price of about 30, and 100 shares of the preferred stock purchased at 98. I would greatly appreciate your opinion as to the outlook for this company.—B. E. C., Mineral City, Ohio.

We hardly know how to advise you in regard to your holdings of Willys Overland Common, as you paid a very large price for your holdings and by selling out now, or switching any of your stock, you would take an unusually heavy loss. We are not over-enthusiastic about the stock, but at the same time it has a chance of ultimately coming back, and we would not care to be put in the position of perhaps persuading you to let go some of your stock at bottom prices. The company has succeeded in funding its floating debt for one year and this has relieved the company of any immediate financial embarrassment.

In the past two years this company has shown very unsatisfactory earnings and it is generally thought that plant efficiency has been none too high. On the other hand, the automobile game is as you undoubtedly know, either a big money-maker or a wrecker of hopes. If the Willys Overland management succeeds in getting operation costs down and in having a successful selling campaign this year, it might easily make big enough profits to change the whole situation in regard to the stock. How successful they will be cannot be foreseen now. We would be inclined to the opinion that it would be advisable for you to risk the last few points and maintain your position, although we do not wish to disguise the fact from you that there is a good deal of uncertainty in the situation.

D. W. GRIFFITH, INC.

A One-Man Company

In 1920 I subscribed to some of the D. W. Griffith, Inc., Class A stock at $15 a share. The last dividend I received was in July, 1921. This stock appears to be very inactive now and I never see anything about it in the financial publications. Would be grateful for any information you can give me in regard to it and also your opinion as to its merits.—A. S. H., Rochester, N. Y.

This company was incorporated in June, 1920, and acquired the motion picture business conducted by D. W. Griffith, including the studio and equipment at Mamaroneck, N. Y., together with ownership of a large number of productions already released and rights for future productions and contracts with distributing companies, stars and specialists in the industry. This company we should say is pretty much of a one-man concern, its future prosperity depending largely on the continued success of its president and founder D. W. Griffith. Mr. Griffith holds a very high place in the moving picture industry and his productions continue to hold popular favor. We should say, therefore, that the stock while highly speculative has possibilities a good deal depending on Mr. Griffith's health, for should he for any reason have to give up the active management it is very questionable whether anyone could be found to successfully take his place.

The balance sheet as of December 31, 1920, showed current assets of $1,202,964 and net fixed assets, appraised as of July 1, 1920, of $1,227,462. Capitalization consists of 100,000 shares of Class A stock, no par value and 375,000 shares of Class B stock, no par value. Class A shares are entitled to non-cumulative dividends at the rate of $1.50 per share per annum before the B stock gets anything. After Class B stock gets $1.50 both issues share pro rata in further distribution. In 1921 $1.50 was paid on the A stock, the last dividend being 50 cents in July. No dividend has been declared since and no statement of earnings has been issued. At the present time the A stock is selling between 6 and 7. Griffith's recent productions appear to be meeting with success but in view of the entire lack of information in regard to earnings, etc., the stock is not one that we would care to have much money tied up in, although it is possible that the company will turn out to be a good money maker.

A WELL DIVERSIFIED LIST OF BONDS

A Few Changes Suggested to Increase Return Without Decreasing Safety

I own the following bonds. Can you suggest any changes by which (1) I do not decrease income, (2) I do not decrease safety, (3) Increase either income or safety. My present holdings are as follows:

$20,000	St. Louis & S. F. prior lien 4s
7,000	Chicago R. I. & Pac. refund 4s
7,000	Kansas City Ft. S. & M. 4s
10,000	Wisconsin Central 4s
3,000	Chi. Mil. & St. Paul conv. 4½s
5,000	Northern States Power 1st & ref. 5s.
5,000	Mississippi River Power 1st 5s
12,000	Chicago & West. Indiana 4s
3,000	Grand Trunk Branch Line 4s
1,000	Grand Trunk 3s
15,000	Adirondack Power 6s
9,000	Balt. & Ohio conv. 4½.
5,000	Hudson & Manhattan 1st & ref. 5s.
5,000	Utah Light & Power 1st 5s.
7,000	Rock Island, Ark. & La. 4½s.
16,000	Chicago & Eastern Ill. 5s '51
7,000	Chi. Mil. St. Paul 4½s 2014
2,000	lbs. Argentine 5s Int. Loan
7,000	Chicago Great Western 1st 4s
17,000	St. Louis & S. F. adj. 6s
5,000	Missouri Pacific gen. 4s
2,000	N. Y. State Rys. cons. 4½s
10,000	Baltimore & Ohio ref. 5s
10,000	St. Louis Southw. Terminal 5s
7,000	Louisv. & N. South. Joint 4s.
10,000	Providence of Alberta 6s

K. D., Pasadena, Cal.

We have carefully gone over your list of bonds and congratulate you on having selected a most excellent list, and we have few switches to suggest. You have a well diversified list and the proper proportion of your funds in gilt edge securities. The more speculative issues that you have selected such as St. Louis & San Francisco adjustment 6s, Missouri Pacific general 4s, and Hudson & Manhattan 1st and refunding 5s, Chicago & Eastern Illinois 5s, and St. Paul issues we believe to have good possibilities of gradually working into a stronger investment position.

We note that you have limited your holding to securities of railroads and public utilities and we believe you could to advantage include some industrial issues. A suggestion is to switch Hudson & Manhattan 1st & Refunding 5s selling on a 6.00% basis into the new issue of Sinclair Consolidated 1st lien collateral 7% gold bonds due March 15, 1937. Assets of the company are over five times the face value of the bonds and net quick assets alone are in excess of $45,000,000 which is the amount of the bond issue. These bonds are selling on a 7.2% basis and we believe them to be as well secured as the Hudson & Manhattan 1st 5s.

Another suggestion is to transfer your Adirondack Light & Power 6s selling around 99 into Philadelphia Co. 6s due 1944 and selling around 94. Would also be inclined to switch the Province of Alberta 6s selling on a 5.80% basis into the Kingdom of Sweden 6s of 1939 which are selling on a 6.25% basis as there would not in our opinion be any sacrifice of safety.

CHARCOAL IRON

Outlook Improved

As holder of several hundred shares of Charcoal Iron Co. of America common stock, purchased at considerably higher prices, I would appreciate your opinion as to the possibilities of this stock. I am inclined to hold my line and wait for better times, but if you regard the outlook unfavorable please suggest something else to switch into.—A. R., Detroit, Mich.

Charcoal Iron Co., of America is the largest producer of charcoal iron in the United States, which product is required in the manufacture of the higher grade car wheels, castings, automobile cylinders and various high grade machinery. The company is also the largest producer of wood alcohol and acetate of lime in the United States by-products resulting from operations. The company owns timberlands totaling 190,000 acres in Northern Michigan and Wisconsin, with railroad facilities and mill equipment producing commercial lumber. The waste of the forest is used in the production of charcoal, which is used in the manufacture of iron, and it is in the conversion of wood into charcoal that alcohol and acetate of lime are produced.

For the year 1920 the company reported net income of $445,564, after deducting Federal taxes of $200,000 and amortization of $400,000. For the first six months of 1921 a loss of $267,678 was reported. In November, 1921, $4,000,000 8% 1st mortgage bonds were sold at 98½ to yield 8.25%. This put the company in good financial condition. Under the sinking

fund requirements $200,000 bonds must be retired per annum. The balance sheet of the company as of June 30, 1921, after giving effect to this financing, shows current assets of $3,059,831 (of which inventories total $2,832,231) as against current liabilities of only $172,727.

There is $5,217,250 6% cumulative preferred stock, par $10 and $2,839,350 common stock, par $10. Dividends on the preferred stock were paid in full until Jan. 1, 1920, when they were passed. Back dividends, therefore amount to 12%.

Business in the past six months has been better and it is understood that the company now has considerable business on its books. The common stock is of course decidedly speculative but in view of the good financial condition of the company and the better outlook, at present prices of around 1⅝ the common appears to have possibilities.

AMERICAN-LA FRANCE FIRE ENGINE

Business Satisfactory

I take the liberty of asking your opinion of American-La France Fire Engine common stock. I have recently purchased some of this stock with the idea in mind that the present dividend of $1 is reasonably secure, and that there is a chance of market enhancement.—R. G. H., Waco, Texas.

We think very well of American-La France Fire Engine Company stock. Earnings of the company for the year ended December 31, 1921, amounted to $897,800 which, after allowing for taxes, dividends, etc., left a surplus of $164,363 equal to about $1.90 a share on the common stock. Capitalization consists of $830,000 6% convertible notes due in 1926, $2,216,800 7% cumulative preferred stock and $2,120,000 common stock, the latter having a par value of $10 per share. The company also made a very satisfactory reduction in its outstanding obligations during the past year, and with its showing in the period of depressed conditions, we feel the stock around present levels of 11 offers excellent speculative opportunities. It is reported that the company has three months' business on its books. We can see no reason why the present dividend rate of $1 should not be continued.

INTERNATIONAL COMBUSTION ENGINEERING

Large Orders on Hand

I have purchased fifty shares of International Combustion Engineering at 24⅛. I wish you would please give me some information regarding this company. What is the capital stock, its earnings and dividends?—N. P. E., Sedalia, Mo.

International Combustion Engineering Corporation is a holding company for companies manufacturing and selling automatic stokers and accessories and fuel burning and heating devices of all kinds. It controls eight companies. There are four plants, two in this country, one in England, one in France and the company also owns a twelve story office building in New York. The funded debt consists of 405,400 6% bonds and 111,700 francs. The capital stock outstanding amounts to 176,116 shares no par. In its consolidated income account for the ten months ended October 31, 1921, to the New York Stock Exchange, the company reports a net of $615,917 after estimating taxes and depreciation and a working capital of around

(*Continued on page 788.*)

Industrial *Oil* *Mining*

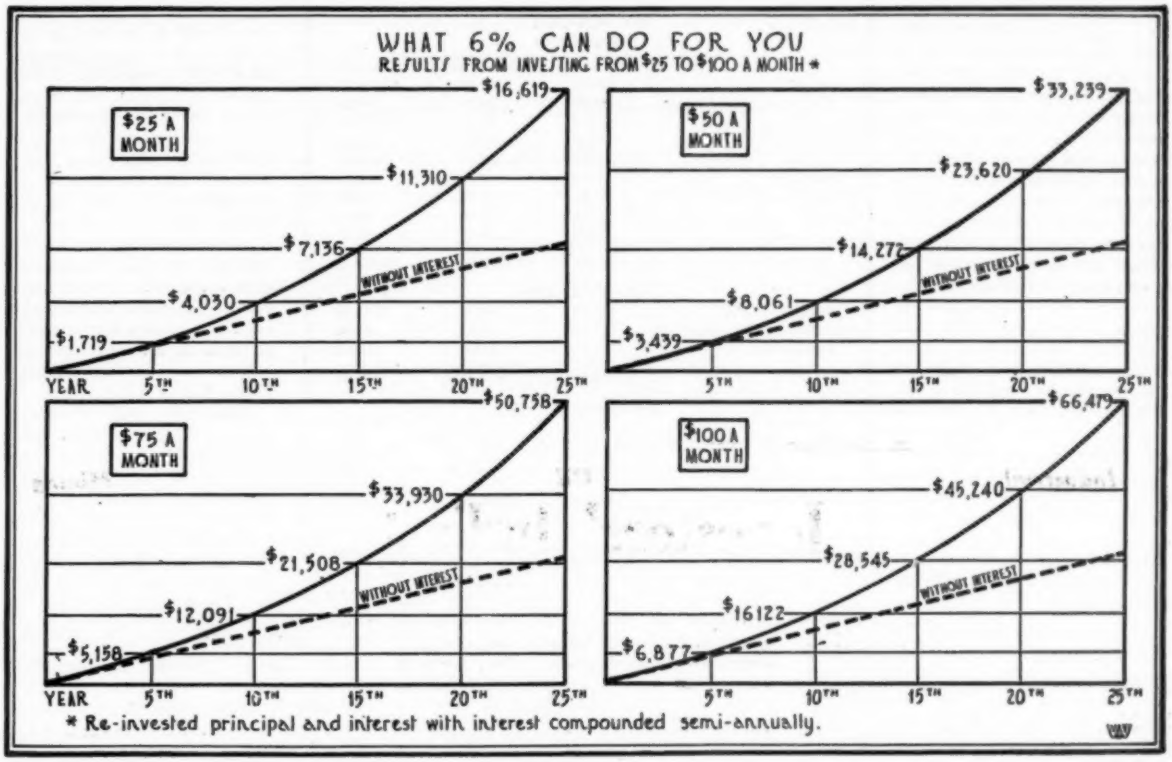
Investors' Indicator

Current Earnings—Dividends—Working Capital

Industrials—	Dollars Earned Per Share in 1921: First Quar.	Second Quar.	Third Quar.	Fourth Quar.	Six Months	Twelve Months	Present Dividend Rate†	Recent Price	Yield on Recent Price %	Remarks
Allis-Chalmers	1.59	1.34	0.51	0.37	....	4.11	4	46	8.7	Working capital, $24,000,000.
American Can com.	....	....	....	....	....	2.76	....	46	....	Working capital, $29,750,000.
Amer. Druggists' Syndicate	....	....	....	....	def.	def.	....	6	....	1921 deficit, $883,568.
Amer. Hide & Leather pfd.	def.	2.00	1.60	1.65	....	def.	....	70	....	1921 deficit, $550,257. Working capital, $5,000,000.
Amer. Locomotive com.	....	....	....	....	12.10	*18.34	6	109	5.5	Working capital, about $42,000,000.
Baldwin Locomotive	....	....	....	....	....	18.22	7	106	6.6	Working capital, $41,790,000.
Butterick Co.	....	....	....	....	3.99	*5.23	....	31	....	Working capital, $3,000,000.
Central Leather	def.	def.	def.	surp.	def.	def.	....	37	....	1921 deficit, $11,651,425.
Coca Cola	0.90	1.90	2.20	....	....	*3.29	4	45	8.9	Now operating on low priced sugar.
Colorado Fuel & Iron	1.59	def.	def.	....	....	def.	....	30	....	1921 deficit, $2,731,172, after inventory adjustment.
Consolidated Textile	....	....	....	....	def.	....	....	13	....	Six months' deficit, $673,777.
Corn Products com.	1.70	1.88	3.56	....	....	9.21	6	105	5.7	Working capital, about $35,000,000.
Endicott Johnson	....	....	....	....	4.29	10.79	5	83	6.0	Working capital, $19,000,000.
Famous Players	6.42	6.60	4.42	....	....	19.01	8	80	10.0	Working capital, $10,800,000.
General Motors	....	....	....	....	0.31	def.	....	10	....	Deficit for 1921, $38,680,770, after deducting $44,465,552 inventory loss and special reserves.
Gulf States Steel	....	....	....	....	....	def.	....	73	....	12 months' deficit, $731,915.
Internat. Motor Truck com.	def.	0.89	def.	....	....	def.	....	33	....	12 months' deficit, after preferred dividend ends, $1,009,686.
Lackawanna Steel	0.01	def.	def.	....	def.	def.	....	49	....	12 months' deficit, $3,384,877.
Pierce Arrow pfd.	def.	def.	def.	....	def.	*def.	....	36	....	12 months' deficit, $8,963,712.
Republic Iron & Steel com.	def.	def.	def.	....	def.	def.	....	52	....	12 months' deficit, $7,415,000.
Stewart-Warner	....	....	....	....	....	2.19	2	36	5.6	Working capital, $6,000,000.
Stromberg Carburetor	....	....	....	....	0.68	....	....	47	....	Working capital, $1,000,000.
Studebaker com.	3.23	6.83	5.15	....	....	16.10	7	104	6.7	Working capital, $30,000,000.
U. S. Steel com.	1.50	0.35	def.	0.21	....	2.24	5	95	5.2	Working capital, over $500,000,000.
Vanadium	....	....	....	....	def.	def.	....	38	....	12 months' deficit, $427,546.
Oils—										
Caddo Central	....	....	....	....	def.	def.	....	12	....	12 months' deficit, $553,246.
California Petroleum	3.72	4.07	1.03	....	....	....	....	51	....	Working capital, $2,650,000.
Cosden & Co.	....	....	....	....	2.71	....	2.50	36	7.0	Earnings before depreciation.
General Asphalt	....	....	....	....	def.	....	....	61	....	Six months' deficit, $911,557. Working capital, $2,850,000.
Houston Oil	3.00	0.89	0.90	....	....	‡0.4	....	76	....	Working capital, $4,350,000.
Island Oil	0.53	0.02	0.06	....	....	....	....	1	....	Properties in Mexico.
Mexican Petroleum	....	....	....	....	17.50	....	12	123	9.8	Net current assets, $14,000,000.
Middle States Oil	....	....	....	....	2.06	4.15	1.20	14	8.6	Earnings before depreciation or depletion.
Pacific Oil	1.43	1.42	0.94	....	....	....	3	49	6.1	Earnings after depreciation.
Pan-American A.	....	....	....	....	6.07	....	6	56	10.7	Owns 70.5% of Mex. Pet. com. and 75.2% pref.
Pierce Oil com.	....	....	....	....	def.	....	....	8	....	Six months' deficit, $2,348,133.
Sinclair Consol.	....	....	....	....	0.60	....	....	25	....	Net current assets, $50,000,000.
White Oil	....	....	....	....	0.37	....	....	10	....	Earnings before depreciation.
Mining—										
American Smelting com.	....	....	....	....	def.	....	....	52	....	Six months' deficit, $3,203,966.
American Zinc pfd.	def.	def.	def.	....	def.	def.	....	39	....	12 months' deficit, $260,101.
Chino	....	....	....	....	def.	....	....	27	....	Six months' deficit, $357,746.
International Nickel	def.	def.	def.	....	....	....	....	15	....	Deficit 9 mos. ending Dec. 31, $1,042,745.
Nevada Consolidated	def.	def.	....	....	def.	....	....	15	....	Six months' deficit, $285,492.
Ray Consolidated	def.	def.	....	....	def.	....	....	15	....	Six months' deficit, $551,505.
Utah Copper	def.	def.	....	....	def.	....	2	64	5.1	Six months' deficit, $534,057, before com. dividends.

†Dividend rate given covers regular declared dividends on yearly basis. Extra or stock dividends are indicated in foot notes.
*After depreciation, taxes and inventory adjustments, etc.
‡After deducting $1,034,542 for depletion of oil lands and not including payments made by Kirby Lumber Co., which in 1920 were $1,171,875, equal to 4.5% on common.

Building Your Future Income



THERE are certain inexorable laws that cover practically every phase of this existence.

Thus, if you get enough sleep, enough good food, enough fresh air and exercise, you will be healthy. Otherwise, you won't.

Or, if you choose a business that you are suited to, work sufficiently hard at it, leave no stone unturned to get ahead in it, you will be successful. Otherwise, you won't.

* * *

The same immutable laws apply to investing surplus money. If you study the field before you start at it; if you save enough to permit you to engage in it, and if you invest cautiously and intelligently after you have entered it, you will become financially independent. Otherwise, you won't.

* * *

The charts above picture the degree of independence four differently situated individuals can attain. The first chart is for the beginner—the young man who cannot manage to set by more than $6.25 a week. The chart shows that, if this young man remains nothing but a beginner for the rest of his working days, he will end up with well over $16,000.

But students of finance don't remain beginners. They increase their earning power. Study of finance and industry broadens them, makes them more valuable to their employers. Year by year, their surplus increases.

The last three charts are with the periods of increased earnings in mind. They certainly are complete enough to cover all average cases. Look them over. See which one fits your case. It will show you just how much you will have, at the end of each of five 5-year periods, if you save and invest patiently and intelligently in between.

* * *

There is a dotted line on each graph. That line is the one conclusive answer to the question, "Why Invest?" It traces the course of money saved but not invested. Except at the outset, it never touches the other line; from the fifteenth year on, it is only half as high.

* * *

Here, in these four charts, there are texts for a thousand sermons. And yet, just as the drawings stand, they are far more eloquent and impressive than words could ever be. Young or old, rich or poor, there is a lesson in these charts for you.

You are at liberty to learn that lesson or to ignore it. The decision must be your own. You might just bear in mind, however, that every delay means that much interest lost.

A Young Man Looks at His Finances

Revelations of a Simple Budget—A Plan for Financial Independence

By N. S. RATHBON

MY BUDGET

NECESSITIES	Weekly	Monthly	Yearly
Rental	$25.00	$100.00	$1,200.00
Breakfasts and dinners	15.00	60.00	720.00
Lunches	6.00	24.00	288.00
Clothing	6.00	24.00	288.00
Service	8.00	32.00	384.00
Laundry	2.00	8.00	96.00
Telephone	1.25	5.00	60.00
Light	1.25	5.00	60.00
Fuel (gas)	1.25	5.00	60.00
Total	$65.75	$263.00	$3,156.00
ADVANCEMENT			
Medical	$6.25	$25.00	$300.00
Educational (periodicals)	2.50	10.00	120.00
Amusements	9.35	37.00	444.00
Total	$18.10	$72.00	$864.00
INSURANCE, ETC.			
Insurance	....	....	$300.00
Taxes	....	....	75.00
Total	....	....	$375.00
Grand total	$83.85*	$335.00*	$4,395.00

*Excluding insurance and taxes.

THE leaven is beginning to work.

All the wisdom that people older than myself have been trying to pound into me these last 30 years; all the good counsel I have culled, half unconsciously, from the books and the plays—all this is crystalizing and solidifying in my mind.

From a mass of conflicting and confused thoughts, ideas, arguments and aspirations, my mental workshop is gradually developing into an orderly workshop, where the purpose of each tool is known, where its proper place is known.

I am reaching—or, perhaps, I have already reached—the real starting point in my life. Like some track athlete, or prize-fighter, or aeroplane pilot, I have had my training period, have sweated and sworn at the muscle builders and am ready for the run.

It will have to be a good run. I am up against the handicap of a late start.

My Income

My income, at the present time, is $4,900 a year. It was much more than that, from all sources, last year; it may be much less than that next year. But I have to suppose it to be standard, for purposes of argument.

I am married. I live in New York City. My wife—but then, you wouldn't believe me, if I told you about her!

Yesterday I sat down and figured out my household budget. It reveals some of the most astonishing facts. I append it to this article for your inspection:

In the first place, I find that I am spending for two rooms, kitchen and bath in New York City no less than $100 a month, or $1,200 a year. Good Lord! It was only ten years ago that my brother-in-law married and settled down. He got five comfortable rooms in a decent New York apartment for $35 a month. He lived for three months on what it costs me to live for one!

How am I going to cut down on this figure? Hanged if I could see any way out of it, when the preposterous sum was first singled out for individual inspection. New York City is like some slave-driver to the young rent-payers of today. It is as ruthless, as inexorable, as pitiless as a Roman lord. It is bleeding its young people white. Thus far I have found no place in Manhattan, unless it be the tenements, where I can rent an apartment at a sufficiently better price to warrant a change.

Especially since I now need an extra room!

As for Clothing!

My budget shows that I am spending $1,000 a year for food. That is not prohibitive.

It is when I get to the clothing item that ire arises again. I am forced to allow myself $24 a month for the purpose—and that means that I am just "skinning through." When I was at school, New York's exclusive tailors used to visit us, and inveigle the unparented into buying their best suits; and those best suits, with silk linings and made of beautiful cloth, never cost more than $40. Today, the imitations of these suits cost at least $90; and last about half as long. The $40 suits of today are very evidently shoddy.

Next on my budget comes "Service: $32 a Month, or $384 a Year." This, Mesdames and Messieurs, is not for a regal maid, nor for a three-meal a day cook, nor for an austere housekeeper. It is for a lady of color who appears each evening at 5:30, cooks and serves a dinner for two, and is through by 8 p. m. For reasons, the service is indispensable.

Look you, then, you daddies and granddaddies: I—and others like me—have to pay as much for such part-time service as you paid for full-time service when you were starting out.

Insurance and Taxes

Insurance and taxes are inevitable. I have to have the one, and pay the other like everybody else. Judging from recent advice given by the Insurance Editor of the Magazine, I made a good choice of insurance. I have a 20-Payment Life with an Endowment Option costing me about $300 a year. For taxes I allot $75 a year—which may be a lot or a little, according to whether I store up against the time I decide to build a house.

What I Propose

Thus, you see, at my present rate of living, all I am able to save out of my earnings is the princely stipend of $505 per year. Very evidently, that is not enough.

A strong, sharp-bladed pruning hook has got to be used—and it's got to be used at once.

As my first step, I intend to leave New York City. I know a place where the sun is sufficiently like gold to permit me to rent more commodious quarters than I now have for at least $45 less per month.

Item One: Saving on Rent $540 a Year.

As my second step, I intend cutting down on this amusement thing. If it means resorting to Charades and Parchesi for my evenings, that charge is going to be reduced one-half.

Item Two: Saving on Amusements, $222 a Year.

Magazines and newspapers are fine things to have. Every man who can afford them should have them. And yet, it is a proven fact that the more of them I buy, the less of them I read; so that the preposterous sum I have been spending on them in the past has been almost a total loss. Three magazines and one newspaper is enough, to cost, altogether, about $30, or less a year.

Item Three. Savings on Periodicals, Etc., $90 a Year.

I may be able to cut down elsewhere. But I've already done a good deal. I have cleared the way to adding over $850 a year to my surplus.

I have found out how to jack up my savings from $505 to something like $1,300 a year!

Where the $1,300 Will Go

And now, what shall I do with that $1,300?

Well, that's where ingenuity ceases to be necessary and good, hard common sense comes into play.

I am engaged in work which requires me to be constantly in touch with securities of all kinds.

I, any more than any one else, can claim no second-sight regarding the course of values. But I can claim and do claim the ability to recognize a good investment and a reasonably safe investment when I see one.

I have found five other young men like me, who are as anxious as I am to "get there" as soon as possible. I intend to devote, with them, honest time and effort in the study of the Investment Association plan. And if we decide, finally, that this plan (to lump together the savings of several persons, to permit more diversified investments than one person could afford) is as sound and intelligent a one as it seems, each one of us intends to feed into the common treasury the sum I, and they, can save each month, to-wit, about $100 a month apiece, or a total of $500 a month altogether.

We shall try to average 6% per year for a 5-year period. We may secure more. We may secure less.

Assuming that we do average 6%, it is extremely interesting to note that, at the end of 5 years, we shall each be one-fifth owners of $34,380 worth of securities; at the end of 10 years, one-fifth owners in $80,610 worth of securities; and if we can keep true to the trust, by the end of 15 years, each will be a fifth owner in $142,720 worth of securities!

All of which I submit to readers of THE MAGAZINE OF WALL STREET, for criticism and suggestion, in the form of my plan for financial independence. I particularly want suggestions as to the proper way to organize and operate that Investment Association!

Solving Individual Insurance Problems

Answers Made to Typical Inquiries Received from Readers

By **FLORENCE PROVOST CLARENDON**

IN line with the settled policy of THE MAGAZINE OF WALL STREET to render practical assistance to its readers, wherever help is asked, the Insurance Department has received and answered a great many inquiries in recent weeks.

Many of these inquiries, and the answers to them, will, we believe, be found of general interest. For example:

Insurance for a Boy of 17

One reader writes:

In compliance with the offer in the December 10 issue of THE MAGAZINE OF WALL STREET, please advise me what insurance company will issue such insurance as you describe for my son, 17 years of age, covering both the 20-payment and endowment feature?

Also, please advise what kind of insurance you would advise me to take out at my age (44), naming my wife as beneficiary.—W. B. V.

This inquiry was probably brought forth from a reading of the article "A Practical Christmas Present" appearing in these columns on the date mentioned. The following reply was sent:

"For your son, age 17, a 20 Payment Life Policy of $5,000 would cost annually, on a participating plan, $133.15. This premium may be reduced each year by surplus earnings (or dividends) allowed by the company; or—what is better—the dividends may be accumulated from year to year so as to increase the sum insured. The maximum sum which could be paid for this insurance in the 20 years would be $2,663 and for this entire payment, less dividends, your son would secure paid-up insurance of $5,000 payable in event of his death, and continuing to participate in surplus distributions after the twenty years. At the end of the 20 years, your son would have the option of continuing to pay the same annual premium of $133.15, less dividend, for fifteen years more, making 35 years from the original date, and the sum insurance of $5,000 would be guaranteed to him in cash at that time, together with an additional sum (an equalizing payment) of $235.

"In taking advantage of the Endowment Option, the policy becomes, for all practical purposes, a 35-year Endowment, running from age 17 and maturing at age 52, for $5,235. The dividends during the currency of the policy would constitute a very considerable reduction in the cost and there is the further guarantee that the sum of $5,000 will be immediately payable *at any time* in event of the insured's death, thereby forming a family protection for your son if he should marry and have his own household.

"In your own case, at age 44, I would suggest the same kind of policy. The premium for $10,000 insurance, on the plan outlined, is $445.40 (less annual dividends). At the end of twenty years, you could either keep your paid-up insurance, or exercise the Endowment Option and continue to pay your premiums for six years more, when the total guaranteed sum payable would be $10,000, plus $680 as an equalized guaranteed payment.

"The additional premium required to cover the risk of disability and which would cancel all premiums after total disability and pay an income of $100 a month on a $10,000 policy so long as disability lasts, would be $31.10 each year, at your age. Thus, the *total* annual premium necessary would be $476.50. If you become disabled so that you cannot work and this condition lasts for more than three months, the disability payments then immediately commence."

EDITOR'S NOTE.—If the number of inquiries received is any proof, our Insurance Department fills a need for readers of THE MAGAZINE.

As the examples given on this page will demonstrate, the Department has exerted every effort to answer these inquiries fully, frankly and fairly.

We are very glad to answer inquiries of this sort. It helps us popularize sound insurance methods, and steer our readers clear of unwise tactics, which is the purpose of our Insurance Department.

What a Joint Annuity Is

From Mishawaka, Indiana, E. J. W. F. writes:

A Woman 46 years of age, who has a daughter 21 years old, has $30,000 to invest in an annuity of some sort which will provide an income for herself during her lifetime, and which will pass on at her death, so that her daughter will have an income as long as she lives.

I would appreciate it if your Insurance Department would tell me what form of annuity is preferable, and if you have preference as to companies.

Perhaps you have in mind some better plan than the life insurance annuity which would be equally safe.

There is a problem which certainly has an almost universal application among persons of some means. The answer follows:

"It is apparent that the thought in your mind takes practical form as an income payable during the joint lives of the mother and daughter (preferably in semi-annual payments) and continuing until the death of the survivor of the two. The most important advantages of this system lies in its absolute certainty, for there is no more stable institution than a well-selected life insurance company. Market fluctuations do not affect in any way the regularity and exactness of the semi-annual payment; and there is one other valuable feature, namely, that the income is free from income tax *until an amount equal to the principal sum invested has been repaid.*

"Life insurance companies do not, however, vary their calculations according to the state of the money market, with the result that when high grade bonds can be purchased for long terms on a basis to net 5% or better, the income from an annuity looks small in comparison. For example, we have obtained a quotation of the rate for a Joint and Last Survivor Annuity, mother and daughter, ages 46 and 21, and the annual income resulting from an investment of $30,000 is quoted as $1,258.20; that is, a little less than 4¼% on the capital. Please remember that this payment may be made for as long a period as 70 years in the case of the younger annuitant.

"There is another advantage in the annuity purchase, that the payment may be made in the form of an alimentary provision which cannot be assigned or anticipated, and which will therefore be a sure income in all circumstances, avoiding the danger to which many young women are subjected in the event they marry a man of unstable character. A life insurance company carries out these conditions without the expense which would be incurred if a similar provision were made through a trust company.

"It might be possible to get some better quotations, if you think it desirable to make an investment on approximately this basis as above outlined. There are only three or four life insurance companies that are willing to make any change in their annuity rates when the money market is, as at present, favorable for investments. Most of the companies have based their rates on an interest calculation which is safe under all conditions of the money market. The figure above stated is on this basis, but if you are interested, and will communicate with me further, I shall obtain quotations from one or two of the companies that grant somewhat more favorable terms in selling annuities."

About Term Insurance

From Washington, D. C., F. I. T. writes:

I have been much interested in your recent articles on insurance, and would be pleased to have your advice.

I am 43 years of age, have two 20-payment policies of $4,000, practically paid up, and a 20-payment policy of $5,000 about six years old. I have about $600 per year set aside for insurance for the next four or five years, when I expect to be able to spend more for insurance.

Would you advise taking out term insurance—say, 10-year, in the amount of $20,000, convertible into 20-payment life within five or six years? If so, could you tell me if sound, reliable companies combine Disability and Double Indemnity Benefits with term insurance?

I am advised that "no legal reserve old line" company writes such a policy, and am doubtful about insuring this way unless I am sure of the company.

I would appreciate it if you would name three or four companies that write such a policy as I refer to, and whom you know to be strong financially. I would also be glad to have your opinion as to the best way to spend $600 per year under the circumstances to obtain maximum insurance.

(*Continued on page* 791)

Financing a Home

An Exhaustive Analysis of a Reader's Home-Building Program

A READER of the Home Building Department of THE MAGAZINE sends the following letter:

"A $10,000 home is in contemplation. The pencil has been busily at work with figures. I would like to have your view on financing such a proposition and the length of time it will take to pay for such a home. In our territory it is a difficult matter to put up a house of any modern type for much less than the above figure. Looking over the homes built ten to fifteen years ago, I question their so-called book value today.

"My figures for a $10,000 proposition show $1,000 paid, with $9,000 mortgage. Paying off at the rate of $500 a year, and interest——"

The reader then shows the compilation presented under the heading "G. M. E.'s Program." His letter concludes:

"Would the property be worth (estimating normal increase in property values) that additional amount in the 19-year period? Is property saving comparable with the same ratio of life insurance saving? I will appreciate your answer, admitting that I may be looking at the problem from the right slant.—C. M. E."

The points brought up in this letter are of such practical interest that a discussion of them may be worth while.

In the first place, it is to be noted that Mr. E. makes no provision in his home-building budget for land purchase. Since his mortgage will cover both house and land, it seems essential to include this item. A fair estimate of the cost of a plot large enough for a $10,000 home would, we think, be about $2,000.

Secondly, this prospective home builder is assuming a good deal when he plans to procure a $9,000-mortgage on a $10,000-home.

(He may have been approached by some development company willing to arrange for such a proposition. But that does not seem likely, since the cost of the land is not mentioned. If he has been so approached, our opinion is that the procedure would be unwise.)

Thirdly, Mr. E. overlooks many important items in his total carrying charges. These, of course, are of first importance.

Recasting

Mr. E's program calls for recasting We will give our idea of the way it should shape up, for the consideration of those interested:

The proposition calls for a $2,000-plot and a $10,000 home, or a total final principal investment of $12,000.

Of this $12,000, at least 50% might be secured through 1st mortgage; or $6,000.

Of the remaining $6,000, at least 50% might be procured through 2nd mortgage.

Mr. E's interest charges, subject to some variation, according to locality first year, would then be:

6% on 1st Mortgage of $6,000	$360
6% on 2nd Mortgage of $3,000	180
Total	$540

Mr. E. contemplates reducing his mortgage at the rate of $500 a year. But, in so doing, he is apparently expecting to put his proposition on a single mortgage basis. As we have said above, unless there are circumstances with which we are not familiar, this would be either unwise or impossible.

We would put the plan on a first *and* second mortgage basis, the periodic reductions to be applied to the latter. By this procedure, the annual amortization payments would not have to be so large. Probably $300 a year would be enough.

Carrying Charges

Going on from there to the matter of figuring carrying charges, we believe Mr. E, might well consult the excellent article written by Mr. W. S. K. for our February 18, issue. Mr. K. left nothing out; and his figures have been verified by actual experience.

For the purposes of this analysis, however, so much detail as Mr. K. included is not desirable. It would only be confusing. We might better content ourselves with estimates and round numbers.

Following this policy, we find Mr. E.'s proposition calling for the charges shown in our own tabulation, headed "Our Program." It is to be noted that the figures shown in the latter program are all *outside* figures.

It is to be further noted that a charge is made against the home builder on account of "Interest Loss." This because it is considered good practice to charge against yourself the 6% interest you might have had on your home building payments if these funds had not been used in buying a house. Our program calls for an original payment of $3,000. Interest on that sum, in the first year, would have been $180. Interest on the $300-payments toward amortization of 2nd mortgage would not appear till the second year. Both these items are shown in the table.

Now, all the charges shown in the first column of our program will be found fairly constant over a 10-year period, barring, of course, the "2nd Mortgage" and "Interest Loss" items. Hence, in order to put the whole program on a yearly average basis, we have only to determine how these two items will vary.

The Second Mortgage items have been handled in a separate table, headed "Reduction of 2nd Mortgage Charges." As will be seen from this table, the ten-year average annual interest on 2nd mortgage amounts to $99.

So far as Interest Loss on the original payment of $3,000 cash is concerned, use of the 6% table shows that the $3,000 would have yielded $2,372 in 10 years, if invested and re-invested, principal and interest, at 6%, interest compounded annually. Hence, the average Interest Loss on the $3,000 amounts to $237 a year.

It is thus determined that, over a 10-year period, Mr. E's home will cost him $1,110 a year in actual cash, or $1,446 a year in cash plus Interest Loss. In the later years, of course, this will be reduced by $300 a year, due to extinction of the 2nd mortgage.

Where the Figures Lead

In his own analysis, based on his own program, Mr. E. has made a comparison between (1) The total cost (his version) of purchasing a $10,000 home in 19-years; and (2) The total outlay, over the same period in the form of rental at the rate of $75 a month. He shows an excess cost of $13,000 in the case of the builder, and asks whether his property might be ex-

C. M. E.'S PROGRAM

Home			$10,000.00
1st year	$1,040.00		
5th year	920.00		
10th year	770.00		
15th year	620.00		
19th year	......		
Total interest paid		$5,230.00	
19 years of taxes at $200.00		3,800.00	
Repairs low est		1,000.00	
		$10,030.00	$20,000.00
Interest on $1,000.00 and subsequent payments of $500.00 accumulating for 19 years if saved but not applied to buying property on time payments, using the 6% table		$10,000.00	$30,000.00
Rent paid for $10,000 type of home approximately $75.00 mo		$17,000.00	$17,000.00
Difference			$13,000.00

OUR PROGRAM

CHARGES

	First year		10-yr. average	
Interest on 1st mortgage	$360		$360	
Interest on 2nd mortgage	180		99	
Total interest		$540		$459
Amortization of 2nd mortgage	$300		$300	
Taxes	150		150	
Insurance	30		30	
Water	10		10	
Coal	126		126	
Repairs	35		35	
Total charges		$651		$651
Total cash outlay		$1,191		$1,110
Interest loss:				
On original $3,000	$180		$237	
On amortization payments	..		99	
Total interest loss		$180		$336
Total charges and interest		$1,371		$1,446

pected to enhance that much in value during the period.

According to our program, of course, no such huge differential is obtained—simply because we do not set out, as he does, to pay for the property outright in the period set.

Our program calls for payments at the rate of $1,446 for 10 years, or a total of $14,460 for the period.

Now, we are disinclined to compare this figure with a $75 a month rental. We question whether a home could be rented for $75 a month that would be comparable with a $10,000-home. However, Mr. E. is dictator, so the comparison will have to be made, no matter how questionable it may be.

Doing so, we find that, at the end of 10-years, our home builder will have paid out $14,460, whereas, as a rent-payer, all it would have cost him for shelter would be $9,000. In other words, the home builder's excess amounts to $5,600.

Would, asks Mr. E., the property increase in value, over the period, by an amount equal to that difference? Certainly, we do not know. That is a question for the prophets—not for the analysts.

If there is doubt on that point, we can imagine Mr. E. then asking, have you not demonstrated that it may be considerably more costly to own a home than to pay rent?

To that query the cynic would say: "Certainly the greater cost of home owning *has* been proven. There it is in figures—an excess of $5,600!"

The optimist would say: "Not at all. Look at the equity the home builder has 50% in a property that cost $12,000! On the basis of the purchase price only, that gives more than enough to cover this $5,600 differential, and all without allowing for a very probable increase in the value of the property. What's more, this $5,600 differential springs from comparing a $10,000 home with a $75-a-month one. If you made a decent comparison, you'd jack up those rental charges to at least $100 a month. That would reduce the differential to only $3,000—or an insignificant figure compared to the value of the property."

Attempting to be neither optimist nor cynic, this department would say: "It is easy to imagine circumstances in which it could be more costly to build than to pay rent. To be sure, the home owner builds up an investment with his "shelter money" that the rent payer does not build up; but nobody can definitely say that the rent payer will not build up an equally good investment through using, in other channels, the money the builder has to apply to his purchase price.

"Also, home-owning presupposes an income ample to cover carrying charges during the period in which those charges continue. If one is solely dependent upon a small salary, it might prove most unwise to build. The salary might cease, the home would then have to be thrown on the market, and a net loss on the transaction would result.

"All these things are, or may be, true. But they do not alter the fact that, for very many people, a home is the best investment in contentment that could be made; that it is a character-building and worthwhile investment; and that, where the project is kept within reasonable bounds and care and good judgment are applied to selection of the site and arrangement of the house, it often proves an excellent cash investment."

REDUCTION OF 2ND MORTGAGE CHARGES

At end of	Mortgage remaining	Interest paid	Amortization charge	Tl. 2d mtg. charges
1st year	$2,700	$180	$300	$480
2nd year	2,400	162	300	462
3rd year	2,100	144	300	444
4th year	1,800	126	300	426
5th year	1,500	108	300	408
6th year	1,200	90	300	390
7th year	900	72	300	372
8th year	600	54	300	354
9th year	300	36	300	336
10th year	....	18	300	318
Total	....	$990	$3,000	$3,990
10-year average	....	99	300	399

Points for Income Builders

What Should the Newcomer Deal In?

THE problems which the newcomer to Wall Street encounters are numerous enough to prohibit analysis in any one article or, for that matter, in any one issue of this MAGAZINE. It is a new world to him, and a strange world at that, speaking a different language from any he has heard before, dealing in enigmatic bits of paper, finely embossed but really meaningless to him—a complex, involved system which it will take years of study and experience to unravel.

There is one problem in particular, however, which the new investor finds the most difficult to solve: That is the problem of determining what securities are the most suitable ones for him to invest his money in. He has hundreds and hundreds of them to choose from—railroad bonds, oil stocks, shipping shares, farm implement securities, and all the rest—and to him they all look about alike.

If any general advice could be given on the subject, it would probably resolve itself into something like this:

Don't buy anything, either outright or on margin, that you do not fully understand. Don't take anybody's sayso.

Spend your training period in Wall Street just as you make newcomers in your business office spend their time—meeting the rest of the employees, studying the business, learning the ins and outs of the "line." Take a tip from the method always followed by an old-time newsgathering agency when it hired a new reporter: The agency set that reporter to watching a rival agency's news reports. All the reporter had to do all day was to keep his office informed of every new story that "broke" on the rival slips. A few weeks of news-watching of that sort started more than one prominent financial writer on his way up. You can give yourself something of the same sort of training—only you won't have a city editor howling at your heels.

The more you read about the "Street" and the securities dealt in there, the quicker you will learn to distinguish between high-grade securities, middle-grade securities and the speculative ones. It won't be very long, for example, before you realize that although Mexican Petroleum is in an absolutely legitimate business, and that although the company is one of the largest corporations in this country today, nevertheless there is a very fundamental difference between the investment aspects of its common stock and those, say, of U. S. Steel.

You will soon discover, if you watch developments closely enough, why every unprejudiced authority advises newcomers against purchasing "speculative" issues. After you have watched Houston Oil careening about the market, jumping 1 or 2—sometimes 3 points,—between sales you will understand why it's not recommended as a wise investment for widows and orphans.

If you are reliant upon a few thousand dollars for your income and support, you will find the highest grade Government bonds not a bit too good for you. If you are earning a good living, over and above your surplus, you will be justified in diversifying your purchases, mixing in a proportion of high-class common stocks such as U. S. Steel, Standard Oil of New Jersey, and so on.

All this will be plainer to you after you have studied the field for a while. And if you wait until you *have* studied it before making your first commitment, you will have a very tangible reason for congratulating yourself later on.

REGARDING OUR PRIZE CONTEST

The many readers of the Magazine who entered into the Prize Contest conducted by the Building Your Future Income Department will be interested to know that the work of selecting the best article is now almost completed.

It should be possible to announce the prize-winner and to publish his article in our next issue.

All other entrants in the contest will be advised by mail whether or not their manuscripts have been found available for publication. Those that we can publish, with the authors' consent, will appear in subsequent issues.

Public Utilities

Consolidated Gas Company

What the Supreme Court Decision Means to Consolidated Gas

Recent Decision of United States Supreme Court Holding Eighty-Cent Gas Law Invalid of National Importance—Has Engendered Confidence in Utility Stocks

***By* JAMES N. PAUL**

ON March 6 the United States Supreme Court handed down a decision which was of national importance not only to holders of public utility securities but to holders of all classes of securities. The decision was the opinion of the Court in the Consolidated Gas Case. The principle involved was whether or not a large aggregation of public utility properties should be compelled to furnish a commodity over a period of years at a loss. The highest court in the land in a unanimous opinion held the so-called "Eighty-cent Gas Law" to be confiscatory, thus ending a litigation which had been prolonged for more than three years.

Had the decision been adverse and Consolidated Gas Co. thereby been compelled to produce and sell gas at a loss, its effect no doubt would have been of far-reaching importance throughout this country. To a certain extent it would have undermined confidence of holders of securities of public utilities and had its effect on forthcoming issues of stocks and bonds.

While the testimony was voluminous, the Court had very little to decide. It was shown that since the Eighty-cent Gas Law was passed, cost of materials and labor had advanced to a point where gas could not be furnished at the rate set.

History of the Case

Suit of Consolidated Gas Co. against the Eighty-cent Gas Law was commenced January 16, 1919, and involved only that company as a gas producer and distributor inasmuch as its affiliated companies had separate suits. The company contended that the law was confiscatory as it did not permit the earning of an adequate return on its investment in the properties and facilities for producing and distributing gas. While the suit was pending the company impounded the difference between eighty cents a thousand cubic feet and various rates charged which were higher. At the close of last year the company had approximately $12,900,000 impounded while its subsidiaries had an amount equal to about $7,500,000.

NEW YORK EDISON

EARNINGS

	*Net income	Amt. per sh.
1920	$6,234,299	$8.98
1919	7,246,140	10.99
1918	5,183,746	7.56
1917	6,633,385	10.45
1916	8,985,539	14.18
1915	9,348,885	14.17
1914	9,723,985	14.74
1913	9,462,641	15.87
1912	8,855,534	17.66
1911	8,681,156	17.31

*Net earnings given are before dividend payments.

SALES

	Sales K. W. H.	Percent increase
1916	673,289,007	13%
1917	749,827,761	11
1918	756,649,203	1
1919	865,388,322	14
1920	1 089 476,000	16
1921	1,186 346,264	17

Consolidated Gas Co. in its complaint alleged that at no time since the passing of the law in 1906 had it been able to earn a return of 6% on its property investment. In an earlier case, the court had held that the value of properties was $69 697.700 so with this as a basis, value of properties was arrived at by adding additions and betterments. In May, 1920, the special master appointed by the court upheld the company in all its contentions. The Federal Court judge in approving the findings of the special master held that the company was entitled to an 8% return on a valuation of $77,000,000. He also fixed the rate at $1.20 a thousand feet. This rate was in effect from August, 1920, to March, 1921, when it was advanced to $1.50. The rate was voluntarily reduced to $1.25 August 1921 where it now stands. Reduction in rates was occasioned by lower prices for gas oil which dropped about 50%.

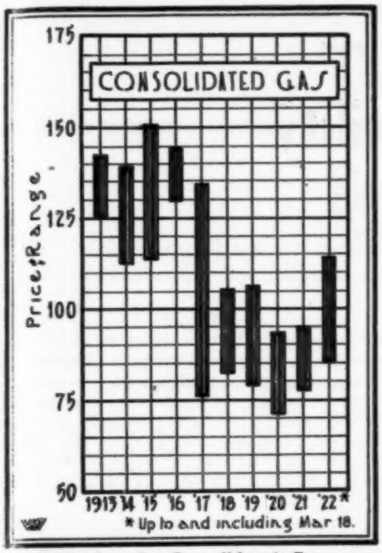
The new public service commission which was legislated into office the first of last year has power over rates. The Supreme Court in handing down its opinion directed that the commission handle the matter of a fair rate. Any rate adjustments hereafter will be in their hands.

Large Operations

Consolidated Gas Co. with its subsidiaries producing and distributing gas and electricity within New York City and outlying territory is one of our largest aggregations of public utility properties. It has been fighting for years in expensive litigation on the question of rates and for four years, 1918 to 1921 inclusive, has been showing deficits ranging from $1,200,000 to $10,000,000 annually after payment of dividends on the capital stock. Deficits shown in the annual reports do not take into account the monies impounded and are therefore only theoretical. The addition of the impounded funds, possession of which was given by the court decree, gives a different aspect to earnings. All figures given in connection with previous annual reports are on the basis of gas furnished at eighty cents.

In considering earnings of Consolidated Gas Co. it should be borne in mind that the company reports in its annual statements only such earnings as are received from subsidiaries in the form of dividends and interest. Thus, in the twelve months ended September 30, 1921, earnings available for dividends of its two subsidiaries, New York Edison and United Electric Light Co., amounted to approximately $11,000,000. Approximately $5,000,000 was paid to the parent company

The Astoria Plant of the Consolidated Gas Co.



in dividends. As Consolidated Gas owns the entire outstanding stocks of these companies, it was still $6,000,000 to the good and could have drawn on these earnings if necessary.

The Company

Briefly, Consolidated Gas Co. and its subsidiaries do practically all the gas, electric light and power business in the borough of Manhattan, New York City and a large part of the business in Queensborough and Bronx running northward into Westchester county outside of the city limits. Serving a population of between 4,000,000 and 5,000,000, the company from an operating standpoint has a territory perhaps excelled in no other part of this country. New York Edison Co., its principal subsidiary, is controlled through a 100% stock ownership. Originally in 1884 the parent company was a merger of six local gas companies. It has expanded until today a dozen gas and electric companies are controlled. With three exceptions, more than 99% of total outstanding preferred and common stocks are owned. These subsidiaries in turn control other smaller gas and electric companies.

Large Equities

Consolidated Gas Co., with its large equities in subsidiary companies together with its own investment, has been capitalized at an extremely conservative figure and outstanding funded debt and capital stock of the parent company do not nearly represent the true value of its properties and holdings in other companies. It was recently estimated, semi-officially, that actual cost of properties including subsidiaries was in excess of $400,000,000. The electric light properties, New York Edison and United Electric Light Co., alone represent an investment of close to $220,000,000. Records of the Public Service Commission show that up to December 31, 1921, approximately $146,000,000 had been invested in gas properties comprising the Consolidated system proper and excluding the electric companies, the Westchester County properties and Queens and Bronx subsidiaries.

In discussing its earning power, the accompanying table showing earnings for four years to the close of 1921 shows in condensed form what it has been able to do. It must be remembered that earnings are on the basis of the eighty-cent rate and do not include excess monies nor does it show real earnings of subsidiaries giving only actual amounts received as dividends from affiliated companies.

The basis of the rate case just decided was on the question of the fairness of return upon the money invested in the properties and not upon the outstanding capitalization. Present capitalization consists of $100,000,000 capital stock, par value $100, $25,000,000 five year convertible debentures and $20,000,000 7% one year notes.

From the attached table on earnings it will be seen that in the four years in which deficits for the year were shown, in only one year, 1921, did the company fail to fully earn fixed charges with a margin to spare. Other income is derived from dividends and interest on stocks and bonds of subsidiary companies.

With the Eighty-cent Gas Law out of the way, Consolidated Gas Co. appears to be on the way to better things. With a fair rate for its product the company should be able to do at least as good as in pre-war days when earnings on the capital stock were stabilized around $8 and $9 a share. It was in 1917 that the decline in earnings first set in and during that year $7.14 a share was earned on the stock. This compared with $8.99 in 1916, $9.29 in 1915, $8.40 in 1914, $8.50 in 1913, $8.91 in 1912 and $8.89 in 1911.

CONSOLIDATED GAS SALES

	In cubic feet*	Percent increase
1916	29,371,468	4.01%
1917	30,778,670	4.79
1918	32,998,337	7.02
1919	33,674,920	2.06
1920	37,876,920	12.48
1921	36,282,751	4.78†

*000 omitted. †Decrease.

The Current Year

It is safe to assume that with a reasonably fair rate Consolidated Gas Co., taking into account only ordinary dividends received from subsidiaries, has an earning power between $7 and $10 a share on the $100,000,000 capital stock. Of course, this estimate depends entirely on rates but the probability is that after its long fight on the validity of the gas law it will be assured of earnings approximating the old basis when they averaged $8 on the stock. The current year should be a good one. With the first quarter of the year not yet passed it is as yet too early to make predictions as to earnings. If the present rate of $1.25 a thousand is permitted to stand throughout the year, it is believed that the company could easily more than earn dividend requirements with a good margin to spare.

New York Edison Co.

New York Edison Co., largest subsidiary of Consolidated Gas Co., has a splendid earnings record. The parent company owns the entire $69,445,417 capital stock. In the ten-year period, 1911-1920, earnings per share on the stock averaged around $15. In only two years, 1918 and 1920 were they below $10 a share. Dividends at the rate of $6 annually were paid up to 1915 when the rate was advanced to $7. Surplus earnings over and above dividend payments of the Edison Co. in the ten-year period were in excess of $35,000,000. The following table will show the earning power of the company, also dividends paid since 1911:

Sales of the electric department show remarkable increase particularly during the past six years and are still advancing. The attached table shows the growth of electric sales since 1910.

The relatively small increase in sales shown in 1918 was due to curtailment of lighting ordered by the Federal Fuel administrator as a war measure.

The steady increase in electric sales can be attributed in part to displacement of gas for illuminating purposes though the greater part is natural expansion of its activities. Approximately 10% of all gas sold is now used for illumination while practically all the balance is used for heating purposes. It is interesting to note that while electric sales have been expanding partly at the expense of gas sales, gas sales continue to expand each year and with the exception of 1921 showed gains over the preceding years. The company is constantly finding and encouraging new uses for gas and conducts a continuous campaign along this line.

Gas Sales

The following table will show the trend of gas sales. In 1921 sales failed to show the usual advance but this is explained by the fact that 1920 was considered an abnormal year. Sales jumped during that year out of all proportion. The number of meters in use last year exceeded those of 1920.

Dividend Stability

The recent sweeping court decision would seem to have dissipated any doubts as to the stability of the $7 annual dividend on the capital stock. The regular quarterly payment was ordered in February and the question of dividends does not come up for discussion again until the latter part of May. Now that the impounded money has been awarded to the

(Continued on page 795)

CONSOLIDATED GAS EARNINGS

(On 80-cent gas and after dividends)

	1918	1919	1920	1921
Operating loss	$8,469,039	$3,999,990	$1,692,000	*$178,248
Other income	9,720,084	7,751,241	7,349,917	7,177,889
Total income	$1,251,045	$3,751,251	$5,657,617	$7,356,137
Interest	—4,230,582	2,384,084	1,639,890	1,622,486
Dividends	7,000,000	7,000,000	7,291,796	6,994,794
Deficit	$9,979,537	$5,632,833	$3,004,069	$1,261,143

*Surplus.

American Water Works & Electric Co.

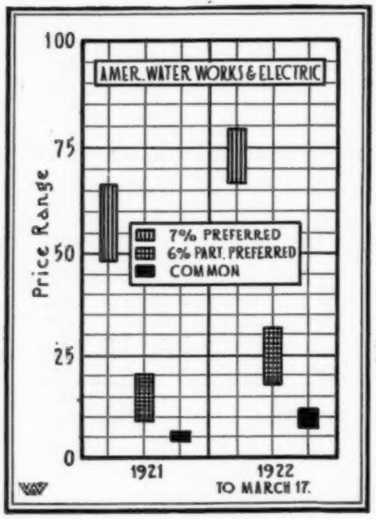
A Growing Public Utility

Earnings Increasing—Subsidiaries Doing Better—Active Market in the Securities

By **F. J. WILLIAMS**

RECENT activity and strength of its securities now listed on the New York Stock Exchange has attracted considerable attention to American Water Works & Electric Co. While both the common stock and participating preferred stock have this year had a considerable advance, their low selling prices appear to give them further speculative possibilities. As a public utility holding company, its subsidiary companies are showing constantly improving earnings and the outlook appears to be that this condition will continue at least throughout the present year.

While a substantial part of its income is derived from dividends on securities of water companies owned, by far the greater part and development possibilities are from its interest in the West Penn. Traction & Water Power Co. and its subsidiaries. The company was incorporated in 1914 and acquired all the properties with a few exceptions of the old American Water Works & Guarantee Co.



History

Briefly, American Water Works & Electric Co. is a holding company. It owns practically all the outstanding stocks in twenty-seven water companies scattered throughout the Middle Western and Southern States, including companies supplying water to Birmingham, Chattanooga, East St. Louis and South Pittsburgh. Out of a total of outstanding stocks of a par value of $29,332,300, the company owns $28,063,900. Bonds to the extent of $6,948,900 are also owned out of a total funded debt of these companies of $29,267,900. In the fiscal year ended June 30, 1921, approximately one-third of the parent company's income was derived from dividends declared by the water companies.

West Penn. Traction & Water Power Co. is the most important subsidiary controlled and as the holder of the common stock to the extent of near three-quarters of total amount outstanding, American Water Works will be the largest beneficiary if developments continue favorable for this company. On June 30, 1921, the parent company owned $4,668,500 par value or 58% of the $8,054,700 6% cumulative preferred stock and $15,898,700 or 72% of the $22,054,700 common stock of the West Penn. Company.

There is $6,500,000 of the West Penn. preferred stock out of the $8,054,700 outstanding which carries accumulations of back dividends, and there is still due about 11%. Penn. Company is steadily paying off these accumulations. American Water Works owns $3,118,800 of the stock having accumulated dividends.

West Penn. Traction & Water Power Co. in turn controls the West Penn. Railways Company, operating a complete system of tractions adjacent to Pittsburgh, and the West Penn. Power Company, which is a merger of fifty-three power companies. The traction subsidiary also controls in turn several other small traction companies. These companies comprise what is known as the West Penn. System.

Capitalization

Capitalization of the parent company, June 30, 1921, consisted of $15,997,600 5% collateral trust bonds due April 1, 1934; $5,450,000 7% cumulative first preferred stock, $10,000,000 participating 6% preferred stock and $9,200,000 common stock.

Business Prospects

Ignoring entirely its interest in the water companies, whose earnings are more or less stable, the principal subsidiary West Penn. Traction & Water Power Co. seems to be in line for better things. This company, through its subsidiaries West Penn. Power Company and West Penn Railways Company, operating the West Penn System, is an organization of power generating stations, transmission lines and tractions located in the populous Pittsburgh district, which is constantly growing. Their lines do not enter Pittsburgh and so do not compete with the Duquesne Light Company, subsidiary of the Philadelphia Company. Its field of operations almost surrounds Pittsburgh, running into Ohio on the west and almost touching West Virginia on the south.

It is here that the greater developments and potentialities for large earnings lie which should in turn be reflected in better earnings for the parent company. The subsidiaries are well established in a growing territory and are in good position to handle increased business. Domestic power business is constantly expanding, but demands from industrial companies have fallen off somewhat, due to business depression.

The United States Government recognized the importance of the West Penn. System in its field during the war and asked the power company to increase its facilities for production. A contract was entered into whereby the Government advanced $2,000,000 for the erection of a plant. The company advanced the balance, or 60%, but an adjustment of the 40% advance by the Government is to be made later. The result was the Springdale plant, located on the Allegheny River, which went into operation a little more than a year ago with initial capacity of 42,000 kilowatts. Located on the river in the coal field district, the plant is assured of cheap and ample supplies of steaming coal for years to come.

Another plant which was recently completed is located at Windsor and is owned jointly with another public utility operating company. Emerging from the war period of high operating costs into a period of industrial depression, the companies, particularly the power producing subsidiary, have not yet had an opportunity to show what they can do in normal times.

Equipped with its two new plants, the power company is in particularly good position to reap the benefits of increased business when industry shall have again returned to normal.

Altogether the West Penn. Traction & Water Power Co. appears to be doing very well. It is earning dividends on its preferred stock several times over and may soon have the $11 in accumulations paid off entirely. In this event the common stock would be in line to receive dividends. American Water Works, owning three-quarters of this issue, would benefit chiefly.

Generally speaking the franchise situation of subsidiaries appears good and examination of their balance sheets shows them to have ample working capital. It is possible that extensions and betterments of the West Penn. System may be needed to take care of increased business and may require some financing by the subsidiaries. This should not be construed as an adverse factor, as completion of extensions should be quickly reflected in larger earnings.

Earnings

The following table shows amount of earnings derived from water companies, to-

(*Continued on page* 801.)

Trade Tendencies

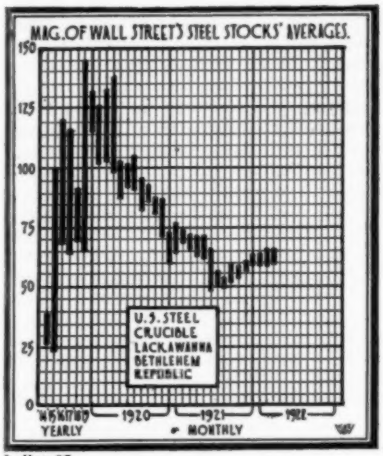
Business More Active

Commodities in Better Demand—Manufacturing Impetus Greater—Prices Firmer

STEEL

Operations Slowly Expanding

THERE are two outstanding developments in the steel industry, (1) the increase in operations resulting from the broadening demand from many quarters and (2) the recent tendency toward higher prices. Inasmuch as both developments are precisely the contrary of those occurring about a year ago this time, it will be seen that a marked change has come over the industry. Undoubtedly the present improvement is the herald of an upswing in business very likely to continue for a few months longer.



To Mar 23.

Sheets have been particularly strong and active and the recent advance in prices put into effect by the Carnegie Steel Co. is probably the forerunner of similar advances in other semi-finished lines. Another instance of firmness in price is pig iron which has been advanced about 75 cents a ton above the lowest quotations last winter. On the contrary, warehouse prices on certain products have been reduced, illustrating the conflicting tendencies in the steel market. Generally, however, the trend is at least toward stabilization.

Railroad buying continues the main source of support and with railroad credit on a higher basis, mills which supply the carriers and equipment companies with necessary steel products should do well. A larger demand is shortly expected for heavy rails. Up to this time, the light rail branch of the industry has done better than the heavy rail branch.

Demand for structural steel is increasing. The automobile makers are very active in the sheet market. Tin plate is in demand.

Coke production is steadily moving forward owing to enlarging pig iron operations.

Generally, the steel industry is in the best position since last Spring and its outlook is favorable.

COMMODITIES

(See Footnote for Grades Used and Unit of Measure)

	1921 High	1921 Low	1922 Last*
Steel (1)	$43.50	$29.00	$28.50
Pig Iron (2)	30.00	18.00	18.25
Copper (3)	0.13¾	0.11	0.13
Petroleum (4)	6.10	2.25	3.25
Coal (5)	3.00	1.80	1.90
Cotton (6)	0.21¾	0.11	0.18¼
Wheat (7)	2.04	1.08	1.38
Corn (8)	0.70¼	0.44	0.59
Hogs (9)	0.11½	0.06¾	0.10
Steers (10)	0.11½	0.08¼	0.09½
Coffee (11)	0.09¼	0.05¾	0.09¾
Rubber (12)	0.23	0.14	0.14½
Wool (13)	0.48	0.43	0.48
Tobacco (14)	0.25	0.15	0.20
Sugar (15)	0.06¼	0.03⅞	0.04⅛
Sugar (16)	0.08½	0.05¼	0.05½
Paper (17)	0.06½	0.03¾	0.03½

*March 23.

(1) Open Hearth billets, $ per ton; (2) Basic Valley, $ per ton; (3) Electrolytic, c. per pound; (4) Pennsylvania, $ per barrel; (5) Pool No. 11, $ per ton; (6) Spot, New York, c. per pound; (7) No. 2 Red, Chicago, $ per bushel; (8) No. 3 Yellow, Chicago, $ per bushel; (9) Sight, Chicago, $ per bushel; (10) Top, Heavies, Chicago, c. per lb.; (11) Rio, No. 7, Spot, c. per lb.; (12) First Latex crepe, c. per lb.; (13) Ohio, Delaine, unwashed, c. per lb.; (14) Medium Burleigh, Kentucky, — per lb.; (15) Raw Cubas 96° Full Duty, c. per lb.; (16) Refined, c. per lb.; (17) Newsprint per carload roll, c. per lb.

THE TREND

STEEL—Steel Corporation operating at about 65% capacity; independents at 55-60%. Prices firmer on increasing demand. Immediate outlook favorable.

METALS—Copper again dull and prices shaded. Temporary lull expected but long-range outlook is good. Other metals, including lead, zinc and tin, are quiet but steady.

OIL—Gasoline consumption gains rapidly and prices are firmer. Heavier export demand. Other refined products unsettled. High crude production.

MOTORS—Output gradually increasing. Several makers advance prices. Low-priced cars in greatest demand. Immediate outlook favorable.

TIRES—Operations increase. Better conditions prevail than for a year. Liquidation completed. Possibility of a general advance in prices.

SUGAR—Strong market. Consumption increases, mainly on European purchases. Long-range outlook improves.

TEXTILES—Dull and prices lower. Present conditions rather unsatisfactory but improvement should set in shortly.

SUMMARY — Business conditions are slowly improving though "spotted." The basic lines are doing especially well considering their recent depressed condition. Money is in greater supply and confidence has been engendered by the sustained strength of the principal markets. The trend in business continues upward.

OIL

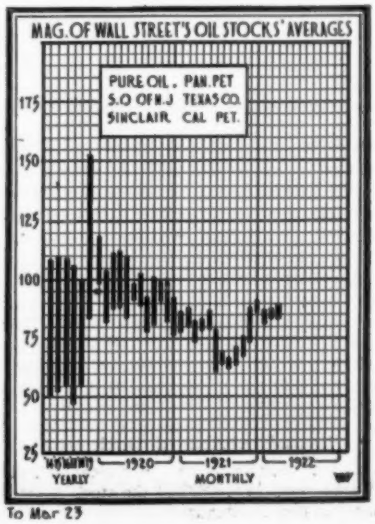
Gasoline Consumption Increases

The main stand-by of the oil market is gasoline, of which there is now a very sharp increase in consumption. Demand will from this time on undoubtedly broaden and it is expected that gasolene consumption this year will break all records. Together with the enlarged demand, prices have become firmer and it is likely that prices will be generally advanced within a few weeks. Export trade in gasolene is also on the increase and the outlook here becomes steadily better.

Other refined oils are not in such good shape. Kerosene, particularly, is weak and gives little prospect of early recovery. Bunker oil, on the other hand, which has been conspicuously weak for a considerable period, is now firmer on the enlarging demand coming from the shipping interests.

Production of crude oil continues at a high rate and Mexican imports are coming in at close to the highest rate established. For the present, an advance in crude oil prices generally is not to be looked for on account of the very large existing stocks. However, with demand for gasolene increasing to a high point and with favorable prospects for an enlarged demand for some other refined products, the outlook is that the present level of prices will be sustained without much effort. Later when the demand has become broader, there are possibilities that oil prices generally will be higher. There is not much reason to doubt that the drastic deflation which overtook the industry last

(*Continued on page 806.*)



To Mar 23

Petroleum

The Principal Mid-Continent Oils

S. O. of Indiana, Sinclair, Cosden, Phillips and Marland Among the Strongest in the Mid-Continent Field — Why Their Shares Appear Attractive

By C. N. LINKROUM

MOST of the oil companies whose securities are actively before the investing public are interested principally in the Mid-Continent field which embraces Kansas, Oklahoma, North Texas and North Louisiana. In this region there is produced about 54% of the country's crude oil supply and its production is of even greater importance than the figures indicate because of the high quality of the oil and its high gasoline content. While the bulk of the Standard Oil refining capacity is located near the centers of consumption the major portion of the independent refining capacity is located near the source of supply and almost half of the total number of refineries in the United States are centered in the Mid-Continent region.

Only a small number of the Mid-Continent companies are known to the investor. The stocks of most of the companies whose securities are actively dealt in are of a speculative character, although certain of these companies are substantial ones and have attained a position of considerable importance in the petroleum industry in recent years. The past year has been one of severe readjustment for all companies and especially for those in the Mid-Continent fields because of the great competition existing there. Many of the companies have been at a big handicap owing to the fact that they were organized in a period of extreme prosperity and were capitalized on an inflated basis. Companies which were able to show good profits on $3.50 oil faced an entirely different situation with oil at $1 a barrel. Some of them were forced to suspend operations entirely and have dropped out of the oil business while others were able to weather the storm and have actually improved their position during the past year. The year 1921 was a severe test, and companies which are in a good financial condition today should be able to show better results from now on.

FIVE MID-CONTINENT OIL COMPANIES

	1921 High	1921 Low	1922 High	1922 Low	Present, March 18	Dividend
S. O. Ind.	93¾	69⅜	88⅞	83¾	88⅛	$4.00
Sinclair Consol.	28⅜	16⅛	25¼	18⅜	24½	....
Cosden & Co.	44⅞	22⅛	37	31⅝	36¼	$2.50
Phillips Petroleum	34¾	16	36⅛	28¼	36⅝	$0.50
Marland Oil	30⅞	12⅝	29	22⅝	27	....

Standard Oil of Indiana

Certain of the stronger companies during the period of readjustment have been able not only to maintain their former position in the industry but to strengthen it by making additional acquisitions of oil and properties on a favorable basis. Foremost among such companies has been the Standard Oil Company of Indiana. This company is not a Mid-Continent company in the strictest sense, but its operations are so interwoven with those of the Mid Continent field that it can be considered in this group. For years Standard of Indiana confined itself to the refining and marketing end of the oil business and its only dealings with Mid-Continent operators consisted of purchasing refined products from the refiners of that district.

In the past year, however, the company has become an important factor in the producing situation through its half interest in Sinclair Pipe Line and Sinclair Purchasing Agency. Through these organizations the Indiana company has been interested in the acquisition of millions of barrels of crude oil and the construction of extensive storage facilities. That the Indiana company has been able to acquire its interest in the Sinclair pipe line and purchasing companies and to make large purchases of low priced oil, in addition to acquiring nearly all the stock of the Midwest Refining Company, without any appeal to its stockholders or the public for financing is looked upon as an evidence of extreme financial strength and managerial ability. The Midwest company is one of the most important refining and producing organizations in the country and this acquisition greatly strengthens the Indiana company's position with regard to future supplies of oil.

The annual report of the Indiana company for 1921 shows net earnings after all charges of $23,288,348, compared with $61,377,803. After taxes the balance available for the stock amounted to $21,288,348 in 1921, against $40,973,484 in the previous year. Dividend payments of $4 a share in 1921 called for $15,686,124, after which there was a surplus for the year of $5,602,224. The earnings showed a large reduction from the previous year and some stockholders were probably disappointed with this showing, but when the company's report is compared with most industrial and petroleum company statements for the past year it will be found that it shows up extremely well.

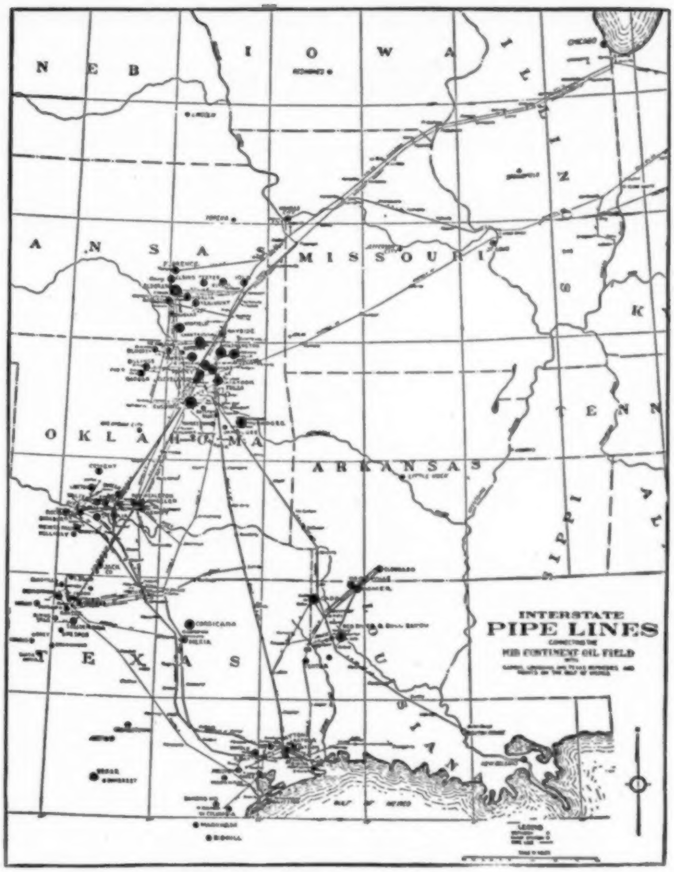
The balance sheet shows the company to be in a very strong condition and with large inventories of low priced oil the company is now prepared to benefit to the fullest extent from the demand for its products in 1922. This company is the largest gasoline company in the world. **There is no doubt that the demand for this product this year will break all records and there is every indication that the Indiana company's gross earnings will probably reach a new high level.** Should this be true the balance available for the stock this year should be largely in excess of any previous year because of the new basis of Federal taxation. In 1920 one-third of the company's net earnings were turned over to the government in excess profits taxes. Under the new revenue law only 12½% of net earnings are to be paid to the government. Had this tax rate been in effect in 1920 the company would have had $55,000,000 available for the stock instead of $40,000,000.

Sinclair Consolidated

The Sinclair Consolidated Oil Corporation is another important factor in the Mid-Continent situation. This company within a few years has become one of the big producing and refining interests in the Middle West, but by reason of its rapid expansion during a period of high prices it is not in the same position of financial strength as Standard of Indiana. This was clearly illustrated during the past year when the Indiana company acquired a one-half interest in the Sinclair pipe line system, which has been called the backbone of the Sinclair organization. As a result of the severe decline in oil prices and the piling up of stocks Sinclair was in need of money. Standard of Indiana had the money and agreed to supply Sinclair with funds in exchange for an interest in the pipe line system. This pipe line gathers oil from the Mid-Continent fields and runs to Chicago, near which point the big Whiting refinery of the Indiana company is located. Incidentally it was this pipe line deal which made necessary the recent financing of the Sinclair company. This pipe line property was part of the security behind the 5-year 7½% note issue and some of the noteholders objected to any part of this security being disposed of. The $45,000,000 first lien collateral 15-year

7% bond issue which was recently offered was in connection with the refunding of the 5-year notes and this released for delivery the pipe line for which the Sinclair company is to receive $16,390,000.

In addition to these bonds the company now has outstanding $332,400 of 8% preferred stock and $4,067,698 shares of common stock of no par value, which are valued in the market at approximately $100,000,000. The company's earnings last year were seriously affected but the balance sheet of December 31, 1921, shows the company to have over 66 million dollars of current assets against 19 millions of current liabilities, the current assets including accounts receivable from the pipe line deal. With an improvement in the oil business it would seem that the Sinclair company should be able to show a substantial increase in earnings, and in view of the fact that the stock formerly sold in the sixties there would seem to be room for a considerable speculative play in this issue. **The investor cannot afford to buy Sinclair from the standpoint of a permanent investment but it would seem reasonably safe and to have possibilities of selling higher.**



Mid-Continent Field and Its Outlets

Cosden & Company

Another Mid-Continent company which is closely allied with Standard of Indiana is Cosden & Company. The Cosden company, like Sinclair Consolidated, is the creation of an independent operator. The company has enjoyed a large expansion in recent years, although it has not spread out anything like Sinclair and its position seems to be somewhat more stable than that of Sinclair. Recent months have been especially severe on the average independent refining company in the Middle West because of the over-supply of refined products and consequent low prices and the failure of crude prices to recede. Many of these companies have closed down their plants entirely rather than operate at a loss. The fact that Cosden has been able to maintain its operations and that it is expanding its facilities at the present time would seem to indicate an unusually strong position.

In its early development Cosden sold its output to jobbers and other refining and marketing companies in various parts of the country, although recently the company has been operating under contracts with Standard of Indiana whereby that company takes nearly all the Cosden refinery production at prices based on the Chicago tank wagon prices. This arrangement appears to have worked out very well for the Cosden company.

The company has not been placed in the position of having to seek any new financing and the latest reports indicate that its financial condition is sound. Not only has the company been extending its refining facilities but it has recently been active in acquiring additional producing properties. One of its recent acquisitions has been the Atlantic Petroleum Company, which has a substantial production in Oklahoma. This further fortifies Cosden's position. **At present prices Cosden compares most favorably with any of the independent oils and has excellent possibilities for further appreciation.**

Phillips Petroleum

Another Mid-Continent company which has come to the front in the last two years has been the Phillips Petroleum. Unlike Sinclair and Cosden, this company is not identified with Standard of Indiana, although there have been persistent rumors to the effect that the Indiana company would like to obtain control of Phillips and that the matter has been under consideration at various times. The Phillips company is engaged in the producing business and incidentally in the manufacture of casing-head gasoline. Its operations have been conducted on a very conservative basis and its management is looked upon as being unusually capable. Last October the company issued $3,500,000 of ten-year 7½% debenture bonds, which placed it in a good financial position, and since then dividends have been inaugurated on the stock at the rate of 50 cents per share quarterly on the 660,000 shares of capital stock.

The company reported net earnings for 1921 of almost $4,000,000, equal to $6 a share on the stock, while earnings in the last quarter of 1921 were at the rate of $8.33 per share per annum. The company has 140 producing properties, on which there are located 900 producing oil and gas wells. Its properties are scattered throughout Kansas, Oklahoma, Texas, Kentucky, Louisiana and Arkansas. The company's present production is approximately 10,000 barrels daily. During the past year development operations were reduced to a minimum and it is believed that with a resumption of increased drilling activities the production can be considerably increased.

Phillips stock is one of the most substantial producing company issues with favorable speculation possibilities.

Marland Oil Company

Another prominent Mid-Continent company is the Marland Oil Company. The Marland organization has been especially aggressive in developing wild-cat acreage in the Osage Nation of Oklahoma. The company's initial success was built up on the development of the Ponca field of Oklahoma, near which its principal refinery is located. The Marland company controls nearly all the acreage in this field, which has been a steady producing pool of high grade oil. While the company had shown a great increment in earning power until the beginning of 1921, its earnings and financial position have been very much affected in the last year. Dividend payments have been suspended and the stock has declined materially from its former high level. The Marland company was in the midst of its expansion operations when the oil readjustment period set in and the fact that the company had a large amount of crude and refined products on hand made its position all the more difficult. In the face of changed conditions the company was obliged to curtail its development and to dispose of some of its producing properties to the Roxana Petroleum Company (Royal Dutch subsidiary).

The sale of properties, together with the proceeds of bond issues, have apparently placed the company in a position where it can proceed with its development under stable conditions, although the sinking fund

(*Continued on page* 804.)

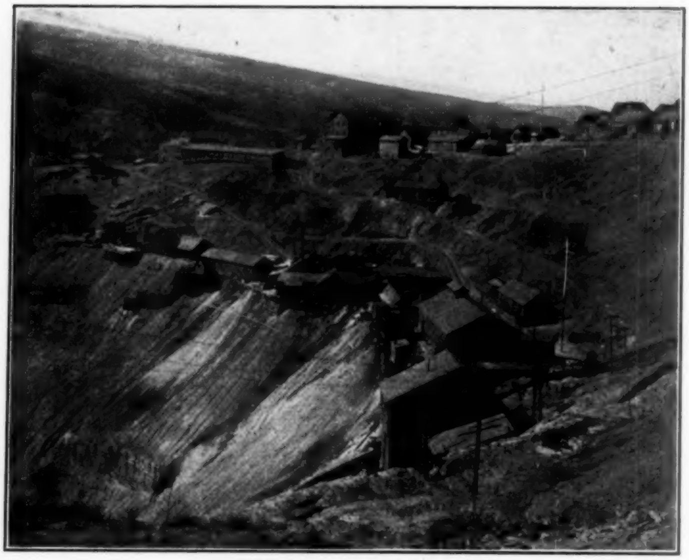
Mining

Improved Outlook for Zinc Shares

Stronger Statistical Position of Zinc—Prices Stabilized—Revived Interest in these Shares

By C. S. HARTLEIGH

WITH the improved outlook for steady demand for zinc, with available stocks of metal beginning to decline, and with increasing firmness in the market price of zinc, it is worth while to review the position of some of the leading listed zinc shares in order to determine whether any opportunity in this direction is being overlooked. Not long ago (March 4 issue of THE MAGAZINE OF WALL STREET) we pointed out that zinc shares were not as cheap as they were a few months ago, but that they were cheaper than they would be a few months hence. This is indicated by the gradually improving statistical position of the industry which is now in far better shape than for a considerable period. Fundamental conditions in the zinc industry are improving, and this improvement has already been discounted to some extent in the market for the shares. When the technical market position of the shares began to improve, the shares were eligible for investigation on the part of long-pull speculators. Now that these shares have actually recovered from their bottom prices, and the fundamental conditions which they were discounting have become better defined, it should be apparent that a long-pull speculative position on the shares of sound companies is justified.



ZINC MINING IN COLORADO

A picturesque view of the zinc mines at Gilman, Colorado. A typical mountain mining community

On January 1, 1921 the unsold supply of zinc at various smelters throughout the United States was over 71,000 tons, as compared to 36,800 tons on January 1, 1920. **During January of this year these stocks were reduced to 65,678 tons, and during February the supply receded to 64,124 tons, indicating gradual improvement in the statistical position of the metal.**

The total production of zinc in the United States during 1921 was 200,500 tons, campared with 463,000 in 1920, 466,000 in 1919, and 518,000 in 1918, illustrating the rapid falling off in demand during the past year. The apparent consumption of the metal during 1921 was a little over 203,000 tons, compared to 323,000 tons in 1920, 324,000 tons in 1919, and 424,000 in 1918. The difference between consumption and production during the years 1919 and 1920 accounts for the building up of the unsold supplies of 71,000 tons on January 1, 1921, which had been reduced only to 70,300 tons by January 1, 1922.

The general situation in the production end of the industry may be further illustrated by referring to the retort capacity at the leading active plants in the country. In 1921 there were 127,000 available retorts, as compared to 158,000 in 1920, 157,000 in 1919, and 168,000 in 1918. The retorts actually in operation at the end of 1921 numbered 42,400, as compared to 56,000 at the end of 1920, 107,500 at the end of 1919, and 123,500 at the end of 1918.

Zinc Prices

The average price of all grades of zinc during 1921 was about 5 cents a pound, as compared to 8.1 cents during 1920, 7.3 cents during 1919, and 9.1 cents during 1918. The monthly average price of zinc at St. Louis was less than 4.2 cents a pound in August, 1921, from which level it rose to 4.8 cents a pound in December, and then fell off to 4.7 cents in January, and 4.48 cents in February. During the latter part of last month the market gained some strength and early in March a strong undertone advanced the price steadily, so that at present little zinc is offered below 4.65 cents a pound.

Careful consideration of the above facts should indicate that the zinc industry is pretty well liquidated, if it has not definitely turned the corner.

There are half a dozen zinc shares that are of general interest, namely, American Zinc Lead & Smelting, common and preferred, Butte Copper & Zinc, Butte & Superior, Callahan Zinc Lead, listed on the New York Stock Exchange; and N. J. Zinc Company, the most substantial of the lot, listed on the New York Curb. Another stock worthy of consideration on account of its future speculative possibilities is Yellow Pine, listed on the Los Angeles Stock Exchange. Yellow Pine was recently quoted at 50 cents a share. During 1918 this company paid dividends amounting to $300,000, in 1919 $150,000, and its last dividend amounting to 3 cents a share was paid in September, 1920. The company is capitalized for $1,000,000, divided into 1,000,000 shares of the par value of $1.

NEW JERSEY ZINC COMPANY

This is a strong and seasoned organization, which has been in business since 1880. The company has a splendid dividend record which began in 1906, from which date it paid regular quarterly dividends at the rate of 20% per annum up to July, 1915, and then quarterly at the rate of 2½% in August and November, 1915. From February, 1916, a regular quarterly dividend at the rate of 16% per annum was paid until 1921, and since the beginning of that year the rate has been 8%. In addition to the regular dividends above mentioned, the company has made extra distributions as follows: 10% in 1907, 5% in 1909, 10% in 1910 and 1911, 10% three times in 1912, 10% three times in 1913, 10% twice in 1914, 5% twice in 1914, 2%, 10% and 30% in 1915, 250% stock dividend in July, 1915, 10% four times and 5% four times in 1916, 10% in January and 4% in March, April, June, July and September, 1917, 4% July, 1918, and 4% July, 1919 and

20% in stock distribution in 1920.

The company's earnings are not dependent on one mining property, but its mines and plants are located in various important zinc districts in the United States. It owns the famous zinc mines at Franklin Furnace, N. J.; the New Jersey Zinc Co., of Pennsylvania, with operating plants at Palmerton and Freemansburgh, Pa.; the Mineral Point Zinc Co., operating mines near Brenton and Highland, Wis.; the Empire Zinc Co., of Missouri.; the Empire Zinc Co., of Colorado; mines at Iola, Kansas, and numerous other producing properties and metallurgical plants.

It is reported that the company has blocked out ore reserves sufficient to keep its plant operating for more than thirty years at the normal rate of production. The company also buys and treats custom ores. Among its finished products are spelter, sheet zinc, zinc dust, zinc oxide, zinc chloride, lithophone, spiegeleisen and sulphuric acid.

The company has a yearly smelting capacity of 160,000,000 pounds of spelter. During the year 1917 one of its mines alone, the Frânklin, produced nearly 120,000 tons of zinc, or almost 17% of the country's total output during that year.

With 420,000 common shares outstanding, of the par value of $100, the total turnover during 1921 was only 3,763 shares, indicating that the issue is relatively inactive and that the shares are closely held. During 1921 the price range was 142 high and 110 low.

AMERICAN ZINC, LEAD & SMELTING CO.

This is another zinc producer with extensive and diversified interests. It is both an operating and a holding company, owning the American Zinc Co., of Tennessee, the American Zinc Co., of Illinois, the American Limestone Co., the American Zinc Ore Separating Co., American Zinc Co., of Arkansas, American Zinc Oxide Co., American Zinc Sales Co., American Ballast Co., and 649,774 shares of the 925,000 issued shares of the Wisconsin Zinc Co. In 1916 it purchased all the assets of the Granby Mining & Smelting Co., of Missouri, consisting of about 30,000 acres of mineral lands in the Joplin district, 10,000 acres of coal lands in Illinois, a zinc smelter in East St. Louis, Ill., a zinc smelter in Neodesha, Kansas, and a lead smelter at Granby, Mo.

The company's principal operations are at the Davey Mines in the Joplin district, Mo., the Vogey Mine in the Porto Rico district, the Klondike, Mascot and Golden Rule Mines, near Granby, Mo., a 600-ton custom mill near Granby, Mo., and the B. & H. Mine, near Joplin. In Kansas the company has 6,080 zinc retorts at Caney, 4,480 retorts at Dearing, and 3,760 retorts at Neodesha, with a combined yearly capacity of 150,000 tons of concentrates. From time to time the company operates additional retorts under lease. It owns a lead smelter with a yearly capacity of 10,000 tons of ore at Granby, Mo.

The company's preferred stock issue of 96,560 outstanding shares, par value $25, was created in 1916, during which year a dividend of $3 a share was paid on the preferred. A preferred dividend of $6 a share was paid in 1917, 1918, 1919 and 1920. No preferred dividend has been paid since the beginning of 1921. The preferred stock is entitled to a cumulative dividend of $6 a share.

Total sales during 1921 amounted to 65,550 shares, or about 68% of the total outstanding preferred stock. There are 193,120 common shares outstanding, par value $25. In June 1916, a stock dividend was declared, each share of common stock issued receiving one-half share of preferred stock, equivalent at par to $12.50. In 1917 the common shares received $2. No common stock dividends have been paid since. Both preferred and common stocks are in a favorable technical market position.

The preferred shares settled down from a high point of 61 to 23, and after meeting accumulation at this point, rose rather rapidly to a zone between 35 and 40, wherein it has exhibited accumulation, which makes it appear attractive as a long-pull speculation. From a high point of 65, the common shares descended to 12, where they encountered some accumulation, and after a dip to 11, they rose to as high as 29, and again fell off to a low point of 6, and recently they appeared to have been under accumulation between 7 and 10, resulting in a rise to around 16. **In view of the improved statistical position of zinc, the shares will probably not decline much below present levels, but may enter a zone of accumulation from which they will recover gradually. Under these circumstances the common shares offer a fair low-priced speculation for the long pull, their immediate behavior being somewhat uncertain.**

CALLAHAN ZINC-LEAD COMPANY

Formerly the Consolidated Interstate-Callahan Mining Co., this company controls about 1,250 acres of mineral property in Beaver and Placer Center mining districts, in Shoshone Co., Idaho, including properties acquired through the purchase of the outstanding stock of the Nipsic Mining Co. The company also controls several subsidiary mining companies through stock ownership, including the Blue Grouse Mining Co., Virginia Lode Mining claim, Silver State Mining Co., Chicago-Boston Mining Co., and Killbuck Mining Co., Ltd. The property is equipped to take care of a monthly production of over 14,000 tons. The ore reserves are estimated at 165,000 tons, averaging 12½% zinc, 6½% lead, and 2½ oz. of silver a ton. This estimate does not include partly developed ore in the subsidiary properties.

Early in 1921 the company's properties were shut down, and in the absence of income from production the company accumulated during the first quarter of the year, a deficit of about $40,000 through property maintenance, development and general expenses. Exploration and development work continued during 1921, and in November a promising ore body was opened on the 400 foot level of the Chicago-Boston property. This ore averaged from 6 to 10 oz. silver per ton, and 7 to 11% lead, over a width varying from 3 to 7 feet. It is said to be the highest average grade milling ore in the Coeur d'Alene district.

The company's dividend record is as follows: $5.50 a share in 1915, $6 in 1916, $2 in 1917, $1.75 in 1918, nothing in 1919, $2 paid from depletion reserves in 1920, and none thereafter. At the end of 1920, the company's cash had been reduced to $29,278, and notes payable amounted to $135,000. However, excess of current assets over current liabilities amounted to $54,773.

During 1920, after the shares had been selling between 17 and 20 for some time, they settled down to $4. The price range during 1921 was from 7½ high to 3¼ low. After the stock reached the $4 level, it was accumulated between $4 and $6, and recently it has shown some disposition to recover in the light of the better outlook for the zinc industry.

(*Continued on page 797.*)

STATISTICS OF FIVE ZINC COMPANIES

Company / Stock	Am. Zinc, Lead & Sm. Pfd.	Am. Zinc, Lead & Sm. Com.	Butte & Superior Com.	Butte Cop. & Zinc Com.	Callahan Zinc & Lead Com.	N. J'sey Zinc Com.
Shares	96,560	193,120	290,198	600,000	385,773	420,000
Par	$25	$25	$10	$5	$10	$100
Last Div. Date	May 1920	Nov. 1920	Sept. 1920	June 1918	Dec. 1920	Feb. 1922
Last Div. Amount	$1.50	$1.00	$1.25	$0.50	$0.50	$2.00
Price Range:						
1920	50½-25½	21⅜-5⅜	29¼-8	11⅛-3⅜	20¾-4	200-127
1921	40⅝-22⅝	14⅜-6⅜	22⅛-10¼	6¼-3⅜	7½-3⅜	158-110
1922	40⅝-36	16½-12½	28½-20⅜	6½-5¼	7¼-5¼	147½-124½
Sales in 1921	65,550	46,750	124,000	81,000	324,220	3,763
% Turnover	68.0	24.2	42.8	13.5	84.1	0.9
Net Earnings:						
1916	$75.62	$34.86	$31.70	0	$6.67	$82.00
1917	9.44	2.77	0.94	$0.29	5.90	45.44
1918	3.70	0	2.17	1.03	0.81	28.34
1919	Def.	0	2.98	0	0.99	25.59
1920	Def.	0	0.65	1.77	0.69	18.91
1921						
Dividends Paid:						
1916	$3.00	$12.50	$34.00	0	$6.00	$76.00
1917	6.00	2.00	6.65	0	2.00	46.00
1918	6.00	0	0	0.50	1.75	20.00
1919	6.00	0	0	0	0	20.00
1920	6.00	0	0	0	2.00	*16.00
1921	0	0	0	0	0	8.00
Funded Debt	$1,481,700**		None	None	None	$4,000,000
P. and L. Surplus	2,677,195**		$3,250,050	$1,111,576	$279,055	1,988,868
Net Working Capital	2,917,563**		2,722,209	938,080	54,773	†
Cash and Liberty Bonds	354,944**		2,213,987	377,742	29,278	†

*And 20% in stock.
**Year ended 1920.
†Company makes no report of financial condition.

Intimate Talks With Readers

Buying "Recognized" Investments a Safe Venture—Investors Should Register Their Securities—Margin Requirements in a Depressed Market

Why Wait?

WE submit the thought that it is almost impossible to go wrong on recognized investments, buying at a reasonable time, anywhere within a so-called "bargain zone"—although not necessarily at the bottom.

Suppose, for the sake of hypothesis, two business men having average market knowledge set out to accumulate an investment fund, by way of the market. The one decides to invest upon a reasonable, but not an infallible foundation. The other believes he can judge the "swings," and although nominally assuming an investment attitude, believes he can make the minor fluctuations pay for his stocks eventually.

Investor No. 1 will be successful. Assuming that investor No. 2 is going to get in and out without very skilled guidance, we can say with certainty that the records prove he is going to lose out.

Our theory is: the leading American properties are following the bullish trend of the United States itself. J. P. Morgan's statement that "the bear on the U. S. A. will go broke" is confirmed over and over again when we take a look at corporations like American Car & Foundry, U. S. Steel, Corn Products, American Woolen and U. S. Rubber. True, some companies like Sugar Refining and Sears-Roebuck have seemed to reverse their former trend—but who knows?

Let's assume the worst. Investor No. 1 started a few years ago to accumulate all the above, including the "failures" like Sears and Sugar. It is reasonable to suppose that such an investor would have included General Electric and Woolworth in such a group. We are not compelled to assume that he would make his start in the bull markets of 1915, 1916, or 1919. By now, he would have a long line of investments, some showing a heavy loss, but the majority showing a handsome profit. Above all—here is the point—he would have a bunch of real and tangible certificates representing some of the best among American enterprises. His alliance with investment is as for better or for worse. On the whole, he fares very well.

Investor No. 2 would probably have a collection of brokers' statements, liberally sprinkled with margin calls, plenty of worry, and regretted lost energy.

It should not matter to the investor whether he buys his Union Pacific at 120, 130, nor even 140 as long as his $10 dividend is reasonably assured and the company and its stock going forward. Whether he pays 70, 80, or 90 for U. S. Steel should be a matter of equal indifference, so long as his mental attitude is right, and he does not commence his operations at the high tide of a bull market's cycle.

Securities Are Negotiable

As soon as may be, the investor "for keeps" should register his stocks and bonds in his own name. If he then desires to keep them "negotiable," he should indorse them in blank—which means leaving the "blanks" alone—and sign before the president of a bank, or a member firm of the N. Y. Stock Exchange. The signature of the latter under the owner's signature, with or without a rubber stamp reading "Signature guaranteed" again makes the security a Street Certificate. The best reason for obtaining a transfer into the owner's name is to make sure of the title of the certificate, by bringing the certificate to the direct notice of the corporation's transfer office, and compelling the latter to go through the form of transferring and registering.

Delivery thereafter to the owner disposes of all question of title, whether as to technical legality, ownership, or the more common question of theft or wrongful transfer.

First Mortgages

The prevailing rate is about 6%, and this was the rate established at least two years ago. We believe the time has come when holders will have to take less—possibly 5 to 5½%. As the best first mortgages on approved real estate do not fluctuate, and in some cases are absolutely gilt-edge as to safety of interest and principal this seems a good time to purchase. A few guaranteed mortgages are still available to yield 6%, and many investors looking for a fixed income with immunity from worry as to fluctuations could well turn to some of these.

The average investor might find it difficult to invest in first mortgages on real estate without considerable trouble. There are two types that can be secured in any denomination, from $100 upward that are suitable. The Guaranteed Mortgage is issued by a banking house that loans its own money on first mortgage receiving the mortgage in its own favor, and then issuing certificates against the latter. These certificates are then guaranteed by the banking house, which takes the risk of non-payment of capital or interest, and itself has recourse against the mortgaged property. For the risk assumed, the banking house takes about ½ of 1% of the interest, so that if it has loaned its money at a 6% rate, it allows 5½% on its guaranteed certificates. The ½ of 1% is certainly worth the guarantee.

The other type is where the mortgage, irrespective of the amount held, is directly in favor of the holder, so that theoretically the holder of a $100 mortgage of this type could "foreclose" against a property worth $1,000,000 in the event of non-payment of interest. No guarantee usually goes with this type, but one firm at least claims that it has been issuing them for nearly forty years without loss to any investor. This is because the original loan is for not more than 50% to 60% of value of the property, rentals and leases bring an income far in excess of interest on mortgage requirements, and the capital sum is reducible monthly with interest—so that the security grows sounder as the months and years go by.

We would be glad to furnish further particulars on this form of pure investment for income—but not for profit; although if interest rates should take a big fall, there would be a good profit in buying long term 6% mortgages and holding till rates fall to about 4%.

Marginal Requirements in a Bear Cycle

A mistake commonly made in speculative circles in times like the present is to assume that because prices are very low in comparison with the high levels of boom periods, the ordinary rules of caution as applied to stock market commitments need not be closely observed—in other words, that greater chances may be taken on the long side of stocks, insofar as marginal requirements are concerned, than would be warranted were stocks selling at substantially higher price levels. Needless to say, the adoption of such a policy at a time when many formerly prosperous concerns are hanging on the brink of disaster would be hazardous in the extreme.

There can be no question, of course, that very many stocks are now selling well below their intrinsic values. Nor can there be any question that conservative purchases of these stocks at current prices will show substantial profits when business conditions in this country take a distinct turn for the better. For, after all, the United States is still a "bull" country and will not long remain in the present condition of stagnation, but it is true also that many stocks, while selling at extremely low prices in comparison with their war levels, may conceivably be far from cheap; for it is by no means certain that the companies they represent will pull through the pending readjustment unscathed, whereas it is pretty certain that some of them will be forced into

(*Continued on page 794.*)

Confessions of a Bucket Shop Employee

How I Learned to "Fleece" Customers—Why Bucket Shops Will Pay \$500 to Secure a \$1,000 Account

By **GEORGE HAZLITT**

IN the following paragraphs I have endeavored, as near as possible, to give an accurate and concise account of my experiences while employed in a bucket shop, describing their methods of getting business and the subsequent fleecing of all who come in contact with them, with the sole idea in mind of warning those unfortunates who already are feeling the effects of these parasites and those who may be approached by them at any time. During the early part of 1920, through financial losses, I was obliged to seek employment and having had some previous financial experience, I applied to several brokers without success, and was on the point of giving up for the day when I chanced to meet an acquaintance whom I had not seen for several years.

He told me of what he termed a wonderful opportunity with a house which was a member of one of the minor exchanges, the members of which he knew well. Of course, I was deeply grateful and after going to his office, while he called up the aforementioned firm, was told I should go immediately to their uptown branch, and have an interview with their Mr. ——, the manager. Upon my arrival I was told he was very busy and would have to wait, but would I step into the Board Room and make myself at home.

I was immediately struck by elaborate fixtures, the striking business-like atmosphere and the number of customers. After waiting possibly an hour, I was ushered into the manager's private office. He seemed to be a most genial sort of man, and, after asking a few perfunctory questions, told me I could start as a salesman the following Monday, at \$25 per week, and \$2 per 100 shares traded as commission. Of course, I was overjoyed and went home thinking how lucky I was in securing a position so easily.

The following Monday I reported for work and was immediately assigned to a desk and telephone in a large room, with possibly fifteen others, and given a list of about 100 names of people whom I was told at various times had either purchased stock or were interested in the market. These I was to call on the telephone, using the following stock conversation:

"Mr.—— this is Mr. —— of —— & Co. I understand that you are interested in the market from time to time and, therefore, am taking the liberty of calling you on the telephone on the supposition that possibly we could be of some service to you." Invariably I received a negative answer and towards the end of the week I began to get discouraged, and could not understand, after listening to some of the other men's efforts, how the firm could continue to pay so many men and get such small results.

However, about a week later I chanced to get in conversation with a man and learned that he was interested in a highly speculative stock, then selling around 114; thinking I was a man of long market experience, he asked my personal opinion. Of course, I really was in no position to judge the merits of the particular stock he mentioned, but seeing an opportunity to get an account I rattled off a lot of figures, the meanings of which I knew absolutely nothing about and the prospective customer even less. Nevertheless he was profoundly impressed and immediately gave me an order to buy 20 shares at the market. The order was executed at 114¾s, and that night I was very much surprised to see in the paper the high for the day was only 114. Upon inquiring the next day I was informed that on an odd lot you were obliged to trade ¾s away from the next sale. Upon subsequent investigation I learned that the stock could always be bought ¼ away.

By the end of the week the "sucker" had put \$500 more, and the following Monday received another margin call for \$200 additional, at 10:30 a. m. I was unable to reach him at once, and at eleven, I received notice that he had been closed out at 97, although he had been told on previous calls he had till 2:15 to meet his marginal requirements.

Naturally he was in the next day, and after a stormy interview he was re-instated at 97, although the stock was then selling at 100. He immediately sold out at 99¾s and demanded a check. After further arguing he was assured he would receive his balance the following day, but as things turned out it was over a week before anything was received and then only half the amount due, the remainder being paid some time later under protest.

Naturally, these things began to make me suspicious and after thinking the matter over I went to the manager and told him just what I thought. However, he convinced me in the same suave manner he did customers, that I was mistaken, telling me these things occurred every day in the brokerage business and that when I got a really good account I would realize the question of executions and margins never arose.

As weeks went on I got several more accounts and then one day I was asked to call on a prospective customer, a man about 50, who had had an account for some years with a stock exchange house. He was very much interested in my plan of operations, namely, to call him on the telephone, if necessary, a dozen times a day, keeping him in touch with the trend of the market and advising what to buy or sell. At the end of my interview he gave me a check for \$7,000. When I reached the office the manager called me in and informed me my salary would be increased \$5 per week, and my commission from \$2 per 100 to \$3.50. He also gave me \$100 which he said was a small bonus in appreciation of my efforts.

The account was immediately taken out of my hands and by the end of two weeks the customer had exactly \$650 left of his \$7,000. Shortly after, a special inducement of \$50 for every \$1,000 brought into the house was offered, and as I was doing particularly well at this time, some weeks making as high as \$200, I was loth to give up, although I had become fully acquainted with all the tricks of the trade, so to speak.

Not long after I was called into the office of the head of the firm, and introduced to Mr. ——, who was to become the general manager of the firm, a man who had been formerly traveling salesman for a commercial house, and who knew absolutely nothing about the brokerage business. I was told point blank that I must cease my activities in behalf of my customers' complaints. I must understand absolutely the house came first, last and always, that if a customer wished to follow my advice in trading, always advise the most speculative issues, if not, a low priced stock, because in the former the customer invariably lost and in the latter the house took very little risk; always try to discourage the asking for profit checks and if this was impossible, offer any excuse for delay.

(*Continued on page* 803)

SHAKING THEM OUT

It doesn't seem to matter how many victims the bucketeers have already separated from their money—there's always a crowd of new believers ready to take their turn.

New York Stock Exchange

	Pre-War Period 1909-13		War Period 1914-18		Post-War Period 1919-21		1922		Last Sale Mar. 23	Div'd $ per Share
RAILS:	High	Low	High	Low	High	Low	High	Low		
Atchison	125⅜	90¼	111¼	75	104	76	100	91¾	96⅝	6
Do. Pfd.	106⅜	96	102½	75	89	72	88½	84½	87	5
Atlantic Coast Line	148½	102½	126	79⅞	107	77	91½	83	90½	7
Baltimore & Ohio	122¼	90⅝	96	88¼	55¼	27⅝	39½	33½	38¼	..
Do. Pfd.	96	77¼	80	48¼	59½	38½	56¼	52½	55½	4
Canadian Pacific	283	165	220½	126	170⅞	101	140½	119⅛	134¾	10
Chesapeake & Ohio	92	51⅛	71	35⅝	70⅜	46	63	54	60½	4
Chicago Great Western	36⅞	1¼	17½	6	14½	6¼	8½	5¼	8½	..
Do. Pfd.	64½	28	47½	17½	38⅜	14	20⅝	14½	19¼	..
C. M. & St. Paul	165⅛	96⅜	107⅛	35	52¾	17¼	27⅞	16½	22⅜	..
Do Pfd.	181	130½	143	62½	76	29½	38⅞	29	36⅞	..
Chicago & Northwestern	198½	123	136⅞	85	105	60	72¼	59	69¾	5
Chicago, R. I. & Pacific	..	..	45⅜	16	41	22⅝	42⅜	30¾	40¼	..
Do. 7% Pfd.	..	..	94¾	44	89¾	64	80¼	70¼	92½	7
Do. 6% Pfd.	..	..	80	35¾	77	54	94	83¼	78½	6
Cleveland C. C. & St. L.	92¼	34⅞	62⅝	21	61	31⅜	65½	54	64½	..
Delaware & Hudson	200	147½	159½	87	116	83¼	118½	106¾	116	9
Delaware, Lack. & W	340	192½	242	160	260½	93	119¾	110½	115	6
Erie	61¼	33½	59½	18⅜	21⅜	9½	12	7	11½	..
Do. 1st Pfd.	49⅝	26¼	54⅜	15⅛	33	15	18½	11½	17⅜	..
Do. 2nd Pfd.	39½	19½	45⅝	13⅛	23⅜	10	12⅝	7½	12⅝	..
Great Northern Pfd.	157⅞	115½	134¾	79¼	100⅝	60	80⅜	70¼	72½	7
Illinois Central	162½	102⅜	115	85¾	104	80⅞	104	97½	101½	7
Kansas City Southern	50¼	21⅜	35⅛	13⅛	28⅞	13	27	22	25¼	..
Do. Pfd.	75½	56	65½	40	57	40	57¼	52¾	55¾	4
Lehigh Valley	121¼	62½	87⅛	50⅜	60⅜	39¾	61½	56⅝	58¾	3½
Louisville & Nashville	170	121	141⅞	103	122¾	94	115¾	108	113¾	7
Minn. & St. Louis	*65	*12	36	6⅞	24½	5⅛	10⅞	5	10	..
Mo., Kansas & Texas	51⅛	17½	24	3⅛	16⅝	⅝	6⅛	⅝	‡6	..
Do. Pfd.	78¼	46	60	6½	25⅛	2	7	1½	‡6¾	..
Mo. Pacific	*77½	*21½	38½	19⅞	38⅞	11½	23¾	16	21⅜	..
Do. Pfd.	..	..	64⅞	37½	58⅜	33⅜	55¾	43½	53	..
N. Y. Central	147¾	90⅜	114¼	62½	84¼	64½	88⅞	72⅜	86½	5
N. Y., Chicago & St. Louis	169¾	90	90⅝	55	65	23⅜	66⅞	50	‡63	5
N. Y., N. H. & Hartford	174¾	65⅝	89	21½	40⅞	12	20½	12⅜	19⅜	..
N. Y., Ont. & W.	55⅝	25⅛	35	17	27⅜	16	24⅜	19⅜	23⅜	2
Norfolk & Western	119¼	84¼	147⅛	92⅝	112½	84¼	102¼	96¼	100⅞	7
Northern Pacific	159½	101¾	118⅞	75	99⅞	61¼	82¼	74¼	75	5
Pennsylvania	75⅝	53	61½	40¼	48½	32¼	38¼	33¼	37¾	2
Pere Marquette	*36½	*15	38⅛	9⅛	33½	12⅛	28½	10	26¾	..
Pitts. & W. Va.	..	..	40⅝	17⅜	44¾	21⅛	28⅞	23	27⅛	..
Reading	89⅝	59	115⅛	60⅛	108	60⅜	76⅜	71⅛	73¾	4
Do. 1st Pfd.	46¾	41¼	46	34	61	32⅞	51	43⅝	43¾	2
Do. 2nd Pfd.	58¾	42	52	33¾	65½	33¼	51⅜	46	46¾	2
St. Louis-San Francisco	*74	*13	50⅛	21	38⅞	10¾	30½	20⅝	27⅝	..
St. Louis Southwestern	40⅜	18⅛	32½	11	40	10⅞	29⅞	20½	28⅛	..
Do. Pfd.	82⅜	47½	65⅛	28	49⅜	20½	44½	32⅜	42	..
Southern Pacific	139⅛	83	110	75¾	118⅛	67½	87½	78⅛	86	6
Southern Ry.	34	18	36¾	12⅛	33¼	17⅜	22⅜	17½	21¼	..
Do. Pfd.	86⅞	43	85¼	42	72½	42	54⅜	45⅜	52½	..
Texas Pacific	40½	10¼	29½	6⅛	70½	14	34¾	24⅝	32	..
Union Pacific	219	137¾	164⅜	101¼	138½	110	135¼	125	132½	10
Do. Pfd.	118½	79⅜	86	69	74⅜	61¼	74⅜	71⅛	72¾	4
Wabash	*27⅞	*2	17½	7	13⅜	6⅜	9⅛	6	9	..
Do. Pfd. A	*61⅜	*6⅛	60½	30⅞	38	17	27¼	19⅛	27¾	..
Do. Pfd. B	..	..	32⅞	18	25½	12⅛	18½	12¼	17⅞	..
Western Maryland	*56	*40	23	9¼	15⅝	8⅜	10½	8⅛	10½	..
Western Pacific	...	..	25½	11	40	15	20⅜	13⅜	19⅜	..
Do. Pfd.	..	..	64	35	78	51½	58	51⅝	53⅞	6
Wheeling & Lake Erie	*12⅞	*2½	27⅞	5	18¼	6¼	9¾	6	9	..
INDUSTRIALS:										
Allied Chem.	..	..	..	..	62⅜	34	64⅜	55⅛	63¼	4
Do. Pfd.	..	..	..	..	103⅜	83	108	101	109	7
Allis Chalmers	10	7⅝	49½	6	53⅞	26½	47⅞	37⅞	44⅞	4
Do. Pfd.	43	40	92	32½	97	67¼	93½	86½	94	7
Am. Agr. Chem.	63⅝	33¼	106	47¾	113¾	26½	41⅞	29⅜	39¼	..
Do. Pfd.	105	90	103½	89⅛	103	51	70⅛	55⅜	‡66	..
Am. Beet Sugar	77	19⅜	108½	19	103⅜	24½	44	31⅜	41¼	..
Am. Bosch Mag.	..	..	..	..	143⅞	29⅛	47	31¼	41½	..
Am. Can.	47⅝	6⅞	68½	19¼	68⅝	21⅜	47⅞	32½	45¼	..
Do. Pfd.	129¼	98	114½	80	107⅝	73	104⅞	93¼	‡101½	7
Am. Car & Fdy	76⅛	36½	98	40	151¼	84½	156⅞	141	‡153	12
Do. Pfd.	124¾	107½	119½	100	119	105⅜	120	117½	‡117¼	7
Am. Cotton Oil	79⅛	33⅛	64	21	67½	15⅛	27¼	19⅛	24⅜	..
Do. Pfd.	107½	91	103¼	78	93	35½	56	41	54	..
Am. Drug Synd.	..	..	..	..	15½	4	6½	4½	6	..
Am. Hide & L.	10	3	22½	2⅛	43⅛	5	16	12	15	..
Do. Pfd.	51⅞	15⅛	94⅞	10	142⅜	35	71⅞	58	68¼	..
Am. Ice	..	..	49	8⅞	83½	37	114½	78	111½	7
Am. International	..	..	62⅜	12	132⅛	21¼	45½	38⅛	42⅜	..
Am. Linseed	20	6⅞	47⅜	20	95	17¼	35⅜	28⅜	34	..
Am. Loco.	74⅜	19	98¼	46⅝	117⅛	58	111⅜	102	108	6
Do. Pfd.	122	75	109	93	115	96½	118	112	‡115	7
Am. Safety Razor	..	..	..	..	22	3½	8½	3⅝	7⅝	..
Am. Ship & Com.	..	..	..	..	47½	4⅜	15⅜	5½	13⅜	..
Am. Smelt. & Ref.	105¼	56⅝	123¾	50¼	89⅜	29¼	54⅜	43⅝	50⅞	..
Do. Pfd.	116⅜	93¼	118½	97	100⅝	63¼	98½	86½	‡91½	7
Am. Steel Fdys.	74½	24½	95	44	50	18	34⅜	30⅜	35⅜	3
Do. Pfd.	..	..	..	..	96½	78	96	91	‡94	7
Am. Sugar	136⅝	99⅞	126⅜	89⅛	148⅜	47⅝	74⅜	54⅛	70	..
Do. Pfd.	133½	110	123½	106	119	67½	100	84	97½	7
Am. Sumatra Tob.	..	..	145⅜	15	120½	28½	35⅜	23¼	32	..
Do. Pfd.	..	..	103	75	105	64⅜	71	52¼	‡60	..
Am. Tel. & Tel.	153⅜	101	134½	90⅝	119⅛	92½	124½	114½	120⅞	9
Am. Tobacco	*530	200	256	123	314½	104½	142¼	129⅛	135⅝	12
Do. B.	..	..	..	..	210	100⅛	138¼	126	132¼	12
Am. Woolen	40⅝	15	60⅞	12	169⅛	55½	90⅜	78¼	86⅜	7
Do. Pfd.	107⅜	74	102	72½	110⅜	88½	108¼	102½	‡106	7
Anaconda	54⅜	27½	105⅜	24½	77⅞	30	52⅞	47	50¼	..
At. Gulf & W. I.	13	5	147⅜	4½	192⅝	18	31⅜	23½	27⅞	..
Do. Pfd.	32	10	73⅝	9⅞	76½	15⅜	23	16½	‡20¼	..
Baldwin Loco.	60⅜	36½	154½	26⅝	156¼	62¼	109⅝	92⅜	106¼	7
Do. Pfd.	107½	100¼	114	90	111⅞	92	109	104	‡107	7
Bethle. Steel B	*51⅝	*18¾	155½	59⅜	112	41⅛	70	55½	63	5
Do. 7% Pfd.	80	47	186	68	108	87	93	90½	91	7
Do. 8% Pfd.	..	..	110½	92½	116	90	110	104	‡109	8
Calif. Packing	..	..	50	30	87½	48¼	76½	68	75	6
Calif. Petro.	72½	16	42⅝	8	56⅝	15⅜	54⅜	43½	50⅝	..

Price Range of Active Stocks

	Pre-War Period 1909-13		War Period 1914-18		Post-War Period 1919-21		1922		Last Sale	Div'd $ per
	High	Low	High	Low	High	Low	High	Low	Mar. 23	Share
INDUSTRIALS—Continued:										
Calif. Petro. Pfd.	95½	45	81	39½	88	68	91½	83	89¼	7
Central Leather	51¾	16½	123	25⅞	116½	22⅛	38⅝	29¾	35⅝	..
Do. Pfd.	111	80	117½	94⅞	114	57⅛	74	63⅝	71½	..
Cerro de Pasco	..	..	55	25	67½	23	36⅞	32¾	35¼	..
Chandler Mot.	..	..	109⅞	56	141¼	38¼	75	47⅞	72½	6
Chile Copper	..	..	39¼	11⅛	29¼	7⅛	18½	15⅛	17⅛	..
Chino Copper	50⅜	6	74	31⅜	50⅜	16⅜	29⅝	25⅜	27¼	..
Coca Cola	..	..	..	..	43⅝	18	47	41	46¼	4
Colum. Gas & E.	..	..	54⅛	14¼	69	39¼	85¼	64⅝	82	6
Columbia Graph.	..	..	*166	*97	75¼	2⅝	4	1⅜	3¼	..
Consol. Cigar	..	..	..	..	80	13½	30½	18⅝	‡24¼	..
Consol. Gas	165¼	114½	150⅛	112⅛	106⅜	71⅜	111½	85	107⅜	7
Corn Prod.	26½	7⅝	50½	7	105¼	46	107¼	91¼	103½	6
Do. Pfd.	98½	61	113⅛	58¼	112	96	115½	111	114¾	7
Crucible Steel	15⅝	6½	109⅞	12¼	278½	49	67⅛	52¾	56¼	..
Cuba Cane Sugar	..	..	76⅜	24⅞	59⅝	5⅝	19¾	8⅛	15⅜	..
Cuban Amer. Sugar	*58	*33	*273	*38	*605	10⅞	26¾	14⅛	23	..
Fisk Rubber	..	..	..	..	55	8⅜	17⅜	11⅛	16¼	..
Freeport Tex.	..	..	70½	25⅜	64⅜	9½	20¼	12¼	17½	..
Gen'l Asphalt	42⅞	15½	39⅜	14¼	160	32½	65¾	55⅛	58¼	..
Gen'l Electric	188½	129¾	187¼	118	176	109½	157	136	153½	8
Gen'l Motors	*51¾	*25	*850	*74½	42	9⅝	10⅜	8⅛	10⅝	..
Do. 6% Pfd.	..	..	99½	72⅜	95	63	77	69	77	6
Do. 6% Deb.	..	..	..	..	94⅝	60	76½	67⅜	76	6
Do. 7% Deb.	..	..	..	..	94	69	88	79½	88	7
Goodrich	86½	15½	80¼	19⅝	93⅝	26⅝	41½	34½	39¼	..
Do. Pfd.	109¾	73⅜	116⅜	79⅞	109½	62½	87	80½	84¾	7
Gt. Nor. Ore.	88½	25½	50⅝	22½	52⅜	24⅞	37	31⅜	35½	4
Houston Oil	25½	8¼	86	10	116½	40½	79¼	70	74½	..
Hupp Motors	..	..	11⅜	2½	28¼	4⅝	15⅞	10	15¼	1
Inspiration	21⅝	13⅞	74⅜	14¼	68⅞	28	42⅜	37¼	39⅝	..
Inter. Mer. Marine	9	2⅛	50⅞	⅝	67⅜	7⅛	17⅜	13¼	15½	..
Do. Pfd.	27⅝	12½	125⅝	8	128½	36	72⅜	62¼	70	6
Inter. Nickel	*227¼	*135	57⅛	24⅛	33⅞	11⅛	15⅜	11¼	16	..
Inter. Paper	19¾	6½	75½	9⅛	91⅜	30½	52	48½	45⅜	..
Invincible Oil	..	..	..	..	47¼	5½	19	12⅞	17⅝	..
Island Oil	..	..	..	..	7⅛	2	3	1	1⅛	..
Kelly Springfield	..	..	85¼	36⅞	164	25½	46⅝	34¼	43⅜	..
Do. 8% Pfd.	..	..	101	72	110¼	70¼	96	90½	‡97	8
Kennecott	..	..	64¼	25	43	14⅝	31	25½	29⅝	..
Keystone Tire	..	..	46½	11	126¾	8¼	19⅝	15½	18	..
Lackawanna Steel	55½	28	107	26½	107⅜	32	50⅜	44	47⅜	..
Loews, Inc.	..	..	..	..	38⅝	10	16½	11	15	..
Loft, Inc.	..	..	..	..	28	7⅜	13⅞	9	13¼	1
Mexican Pet.	90½	41¾	129⅝	46½	264	84½	128⅝	106⅜	119½	12
Miami Copper	30¼	12⅜	49⅝	16½	32¾	14½	28½	25¾	27⅜	2
Middle States Oil	..	..	..	..	71⅜	10	14¼	11⅝	13½	1.20
Midvale Steel	..	..	98½	89½	62¼	22	35	27⅛	33⅝	..
Nat'l Lead	91	42½	74⅜	44	94½	63½	94¼	85	89	6
Nevada Copper	30	18	84½	10¼	21⅞	8	15⅝	13¼	14⅞	..
N. Y. Air Brake	98	45	186	55⅞	145⅜	47½	67⅛	57	62	..
N. Y. Dock	40¼	8	27	9⅛	70⅜	16⅛	33¾	28¾	30¼	2½
North American	*87⅞	*60	*81	*38⅞	46	32¼	66¼	44⅜	53⅞	3
Do. Pfd.	..	..	..	..	41½	31⅞	43½	30	42⅜	3
Pacific Oil	..	..	..	..	59⅜	27½	50¼	44⅜	48⅜	3
Pan. Amer. Pet.	..	..	70¾	35	140¼	38½	58½	48⅞	53⅞	6
Do. B.	..	..	..	..	111⅜	34½	62½	44	48⅝	6
Philadelphia Co.	59¼	37	48⅞	21½	48	26½	39⅜	31½	37½	3
Phillips Pet.	..	..	..	..	44½	16	36⅞	28¼	35⅜	2
Pierce Arrow	..	..	65	25	99	9¼	18¼	15	16⅝	..
Do. Pfd.	..	..	109	88	111	21	38	27⅞	35¼	..
Pittsburgh Coal	*29⅝	*10	58¾	37½	74⅝	45	63¼	55⅝	‡61⅝	5
Pressed Steel Car	56	18½	88¼	17¼	113¾	48	72	63	69¼	..
Do. Pfd.	112	88½	109½	69	106	83	93	91	‡92	7
Punta Aleg. Sug.	..	..	51	29	120	24⅜	43¼	30½	40	..
Pure Oil	..	..	143⅜	31⅞	61⅞	21½	38⅝	29⅞	30	2
Ry. Steel Spg.	54½	22¼	78½	19	107½	67	100½	94	96¼	8
Do. Pfd.	113⅜	90¼	105½	75	112	92½	115¼	108¼	115	7
Ray Cons. Cop.	27½	7⅛	37	15	27⅛	10	15⅝	13½	14⅞	..
Replogle Steel	..	..	..	..	93½	18	41	25½	31	..
Republic I. & S.	49½	15⅜	96	18	145	41½	56½	46¼	51	..
Do. Pfd.	111¼	64½	112⅝	72	106⅜	75¼	87½	74	77½	..
Republic Motors	..	..	77	81	74½	5	8½	4½	7½	..
Royal Dutch N. Y.	..	..	86	56	123⅜	40½	54⅝	47¼	52¼	3.20
Shell T. & T.	..	..	..	..	90¼	30⅞	43	35⅝	‡39¼	.33⅓
Sinclair Con. Oil	..	..	67⅛	25¼	64¼	16½	25½	18⅜	24⅜	..
Sloss Shef. Steel	94⅝	23	93¼	19½	89	32½	44	34½	40⅝	..
Stand. Oil N. J.	*448	*322	*800	*355	212	124½	183	169¼	171	5
Do. Pfd.	..	..	..	..	114½	100½	115⅞	113⅜	114⅜	7
Stromberg Carb.	..	..	45½	21	118½	22½	49	85¼	44⅝	..
Studebaker	49½	15⅜	195	20	151	37⅜	105	79⅛	103⅞	7
Do. Pfd.	98½	64½	119½	70	104½	76	109	100	‡105	7
Superior Steel	..	..	96	30¼	60	26	36½	26	‡28	..
Tenn. Cop. & Chem.	..	..	21	11	17¼	6¼	11⅝	9⅜	‡11	..
Texas Co.	144	74½	243	112	57⅜	29	46⅜	42¼	43¼	3
Tex. Pac. C. & O.	..	..	..	..	195	15⅜	28⅜	23	25⅜	1
Tobacco Prod.	145	100	82⅜	25	115	45	65¼	57¼	61¼	6
Transcontl. Oil	..	..	..	..	62⅝	5⅝	11	7⅛	9⅛	..
United Fruit	208½	126½	173	105	224⅞	95⅜	145	119⅜	138	8
Un. Retail Stores	..	..	..	..	119¼	45½	56⅝	43½	43⅜	..
U. S. Food Prod.	41⅝	9⅜	64⅜	5½	91⅜	5½	10½	2⅜	5⅞	..
U. S. Ind. Alco.	57¼	24	171½	15	167	35½	49½	37	46¼	..
U. S. Rubber	69½	27	80½	44	143⅜	40½	64⅝	51⅝	60⅝	..
Do. Pfd.	123½	98	115¼	91	119½	74	103½	99	103⅜	8
U. S. Smelt. & R.	59	30⅝	81½	20	78½	26	38	32⅜	36	..
U. S. Steel	94⅞	41¼	136⅝	38	115½	70¼	96½	92	93⅞	5
Do. Pfd.	131	102½	123	102	117½	104½	118	114¼	117	7
Utah Copper	67½	88	130	48½	97½	41½	65⅜	60⅝	63	2
Vanadium	..	..	..	..	97	25½	39½	30¼	38	..
Va.-Caro. Ch.	70⅝	22	60¼	15	92½	20⅜	36⅞	27½	34⅞	..
Do. Pfd.	129½	62	115⅝	80	115⅞	57⅜	78⅝	67	73⅛	..
Western Union	86¼	56	105½	53⅝	94	76	97⅞	89	98	7
Westinghouse Mfg.	45	24⅝	74⅞	32	59⅞	38⅞	58⅝	49½	57¼	4
White Motors	..	..	60	30	86	29½	41½	35½	39½	4
Willys Overland	*75	*50	*325	15	40¼	4⅝	9½	4½	8	..
Wilson Co.	..	..	84½	42	104⅝	27½	44½	27⅛	‡39	..
Woolworth	177⅝	76½	151	81½	139⅜	100	155	137	155	8

*Old stock. ‡Bid price given where no sales made.

INQUIRIES ON INDUSTRIAL SECURITIES

(Continued from page 770)

$901,570. Unfilled orders December 31, 1921, totaled $4,000,000 larger than the entire 1921 business. Dividends are being paid at the rate of $2 per share per annum.

WILSON & CO. 1ST 6s
A Well Secured Bond

I have Wilson & Co. 1st 6s due 1941, for which I paid 100 in May, 1919. This bond recently has not advanced as much as some of the other bonds. Is there anything the matter with the company? Shall I keep this bond or sell it?—W. W., Oakland, Cal.

All the packing companies had to take very large losses in 1921 because of inventory depreciation. The outlook now, however, is very much improved and the prospects are that Wilson & Co. should be able to show profits this year. Under normal conditions this company has always been able to show good profits. We believe the bonds to be very well secured and suggest that you hold them until you can at least get out even.

MERGENTHALER LINOTYPE
A Consistent Earner

For a long period of years I have held for investment a hundred shares of Mergenthaler Linotype Co. stock. Before the war 15% per annum was paid in dividends, and the stock sold regularly above 200. It is now paying 10%, and selling around 144. I would like your opinion regarding this investment and whether you regard it likely that the dividend will be increased or extra dividends paid? Do you believe that I am justified in holding this stock for investment purposes?—A. L. L., Yonkers, N. Y.

Mergenthaler Linotype Co. has an excellent record over a long period of years. It has shown a remarkably consistent earning power. In the past ten years, earnings have averaged 16.45% and the lowest earnings reported was in 1918 when 10.49% was earned. For the year ended Sept. 30, 1921, 18.07% was earned.

The war adversely affected the earnings of this company as its foreign business was greatly cut down as a result. This is beginning to come back now and should have a favorable effect on earnings. As regards domestic business the company is assured of a more or less steady income as it stands practically alone in its field.

The balance sheet as of Sept. 30, 1921, shows a working capital of about $11,000,000. This compares with a total capitalization of $12,800,000 stock, par value $100. Bills receivable were $6,590,714, accounts receivable $3,867,504 and inventories $5,263,460 and the company was a borrower at the banks to the extent of $4,612,500. As bills receivable and inventories are gradually liquidated these bank loans will automatically be reduced but this may take a little time and for that reason it is not likely that there will be any immediate increase in the dividend. This in our opinion is only a temporary state of affairs and stockholders are justified in believing that in the future the company will be able to make more generous payments to stockholders as it has in the past. As a long pull semi-speculative investment the stock appears attractive at present levels of about 144. Increased competition in the future is possible of course as patents run out but this company is so well established in its field that we do not believe that it has much to fear on this account.

PENNSYLVANIA SALT MANUFACTURING
Manufactures Heavy Chemicals

I have been the holder of 50 shares of Pennsylvania Salt Manufacturing Co. stock, having purchased this stock before the war at 103. At that time it was paying 12%, whereas now it is paying 10%. I have been considering the purchase of another 50 shares of stock at present price of about 71, as it appears to me that as this company was a good earner before the war, it should be able to do well now that the war and inflation period is passed. What do you think? Please give me any information of interest that you have on hand in regard to the company.—D. H., Scranton, Pa.

Pennsylvania Salt Manufacturing Co. has a long record of successful operations. It is one of the principal manufacturers of the heavier chemicals. Its record of dividend payments has been a remarkable one. From 1863 to 1914 inclusive it paid dividends of 12% per annum without a single break in this rate. In 1915 and 1916 8% was paid, in 1817 9% and 1918 to date 10%. Earnings have as a rule been considerably in excess of dividend payments and as a result the company has built up a very strong financial condition. For the year ended June 30, 1921, 12.94% was earned on the stock as against 13.36% in the previous year.

The balance sheet as of June 30, 1921, shows a working capital of $3,600,000 the company being entirely free of bank loans. Capitalization consists of $7,500,000 stock, par value $50. There is no funded debt.

In some of its lines this company faces severer competition from abroad but in many of its important products it has nothing to fear from this source and we regard the outlook for the company optimistically and believe it quite likely that higher dividends than the present rate of 10% may be paid in the future. Regard the stock as an attractive semi-speculative issue at present levels of 71.

BOSTON & MONTANA
How Large Are Ore Reserves?

Last year I purchased 1,000 shares of Boston & Montana stock at close to $1 a share. It is now selling around 45 cents. I was persuaded to purchase this stock because of the optimistic statements given out by the management and the report that the company was putting into operation a mill that would have a capacity of 750 tons daily. Reports have been to the effect that the company has very rich ore. What are the ore reserves? What is the connection between the Boston & Montana stock selling around $3 and the stock I hold? Would greatly appreciate your answer to these questions and your opinion of the stock.—O. H., Lowell, Mass.

Your question as to ore reserves is a very pertinent one. While it is true that very glowing reports have been circulated as to the rich ore in this company's property we have yet to see any official statement as to the average grade of the ore and the tonnage that is reasonably assured. Until the management can give a definite statement as to ore reserves we do not feel that the stock can be rated much higher than a mining gamble. Although the new mill has been operating now for some time we have not seen any

statement of earnings but only estimates of what may be earned.

Boston & Montana Development Co., which is the stock you bought has a par value $5. In 1920 the Boston & Montana Corporation was organized with capital stock of $25,000,000 of a par value of $25 to take over the properties of the former company, the stock of the old company was exchanged on the basis of one share of the stock of the new company for ten shares of the stock of the old company. In January, 1922, 1,000,000 shares of the Boston & Montana Corp. stock was listed on the New York Curb. We are sorry you did not communicate with us before purchasing the stock at close to $1 a share as we advised many of our subscribers to leave it alone when it was selling at that high level.

BETHLEHEM STEEL
Good Report for 1921

I would greatly appreciate a report by you on Bethlehem Steel B stock. Will you kindly give me your opinion as to the merits of this stock as a fairly conservative speculation?—L. M. A., Pittsburgh, Pa.

Bethlehem Steel put out a very fine report for 1921 showing its dividend covered with a good margin to spare and also a very strong balance sheet. Of course, a large part of the earnings in that year came from its ship building and in the current year it will receive little from this end. The outlook for the steel industry is better at the present time and there have been several advances in steel products by the independent companies. The immediate market course of the stock will depend a great deal on how much new steel business comes in in the next few months. If there should be a substantial increase in the demand we should say that the dividend can be maintained but if the dull period should continue very much longer it may not be. With this uncertainty surrounding the stock we should say that it is rather speculative at the present time although it has good possibilities for the long pull.

AMERICAN ROLLING MILL
Strong Financial Condition

What is your opinion of American Rolling Mill common stock? I formerly held this stock, but sold out at a good profit about two years ago. I have been considering repurchasing, as it is now considerably lower than when I sold. I purchase for the long pull and am not particularly interested in current fluctuations if the outlook for the future is good. Would like a few facts in regard to the company. Where is the best market for the stock?—H. J., Pittsburgh, Pa.

American Rolling Mill Co. manufactures "Armco Iron," basic open hearth steel products, consisting of bars, billets, sheet and fabricated sheets. Principal plants are located at Middleton, Zanesville, and Columbus, Ohio. The stock was formerly listed on the Pittsburgh Stock Exchange but has been withdrawn and its principal market is now in Cincinnati. Recently the common has been selling around 36.

The annual report for 1921 is not yet available but it is understood that a deficit will be reported. This of course was to be expected as hardly any of the independent steel companies were able to get through 1921 without losses. The fact that this company has been able to maintain the dividend of $2 a share up to the

(*Continued on page* 804.)

THE BOND MARKET

(Continued from page 757)

just as took place in the speculative industrial group.

Tractions

Developments in the past few weeks in traction companies have not been of a very favorable nature. The Public Service Commission's value of the Interborough and Brooklyn Rapid Transit Companies' properties were about 40% below the book values and the talk of receivership for Interborough is very disquieting. The entire situation is extremely complicated at the present time and the course of the bonds for the immediate future very uncertain. The Interborough bonds were off 2 points and the Third Avenue's up 1¾ points. The remaining issues were unchanged.

Current Bond Offerings

THE new bond offerings of the past two weeks have been featured by municipal and state issues. At the current rate of offering these issues are being taken in excess of the rate at any previous time this year. The demand for municipal and state issues, bearing a fair rate of interest and tax-exempt, is especially keen and cities and states of first-class credit are finding no difficulty in selling their bonds. Practically all the issues in this category put out in the past two weeks have found an immediate sale.

NEW BOND OFFERINGS

	Amount	Yield off'd
FOREIGN		
Gov't of Newfoundland	$6,000,000	5.40%
City of Soissons	6,000,000	7.65
STATE AND MUNICIPAL		
State of So. Carolina	$3,000,000	4.50
City of Dayton, O.	1,000,000	4.50-4.60
City of Louisville, Ky.	1,000,000	4.30
City of Seattle, Wash.	1,005,000	5.10
City of Nashville, Tenn.	478,000	4.60-4.80
RAILROAD		
Mo. Pacific	18,000,000	6.10
PUBLIC UTILITIES		
K'stone Pr. Corp.	$1,750,000	6.80
So'western Pr. & Lt.	3,000,000	6.70
Municipal Gas Co., Albany, N. Y.	2,000,000	5.20
FARM LOAN BONDS		
Lincoln Joint Stock Land Bank	$1,000,000	4.80-5.00
First Jt. Stk. Land Bank of Chicago	3,000,000	4.75-5.00

A feature of the situation is that practically all good issues including municipal, state, foreign, public utility and railroads, are oversubscribed within a day or two after offering.

The Missouri Pacific offering of first and refunding mortgage gold bonds, Series D offered on a yield basis of 6.10 was found so attractive that the bonds were all sold before the books were opened. With this and other examples of railroad financing it is not likely that refunding operations of the railroads this year will meet with any serious difficulty.

The amount of public utility financing was comparatively low but it is believed that there will be a considerable volume within the next few weeks. The yields on public utility offerings at the present time run from 5.20 to 7.70%.

The offerings of foreign issues in the past two weeks were comparatively unimportant. Several large issues are on the way, however, including an international loan to Czecho-Slovakia of $30,000,000 or more and $30,000,000 bonds of the Paris and Orleans Railroad Company. A feature of coming foreign issues is that they will include more than Government bonds and it may be expected that there will be a considerable volume of industrial and railroad financing of foreign properties.

There was practically no activity in the industrial list but several large issues are being considered, one of them being an issue of the Union Bag and Paper Company of from $6,000,000 to $7,000,000. Part of this financing will be for the purpose of refunding the present funded debt of $2,195,000. There will also be a large block of bonds to be offered by one of the principal Cuban sugar producers.

With the general bond market in a very firm condition, it is not likely that offerings of new issues will slacken. The money market is favorable to new financing and the amount of idle funds at hand indicates that the public at least for some time to come will be in a position to buy the new issues as they are offered.

An interesting feature is that the 8% bond offering has practically disappeared. Even corporations of weaker credit are able to secure loans on a 7 and 7½% basis. With further improvement in the money situation it is likely that new bond offerings of most descriptions will be sold on a coupon rate basis of 7% and under. The 7½% bond seems destined to go the way of the 8% bond.

SOLVING INDIVIDUAL INSURANCE PROBLEMS

(*Continued from page 773*)

The Insurance Department's reply to the above follows:

"We do not usually recommend the taking of Term Insurance by a man who is in fairly good circumstances and approaching middle life. Term insurance, in our judgment, is *unthrifty* since it does not build up any saving fund for the future, and gives only immediate protection, without loan or surrender values. It is all right for a young man just married, or for a young man with responsibilities and with a developing future; but when a man is above 35, it is usually better to adopt the thriftier forms of Ordinary Life or Limited Payment Life insurance, whereby each year a savings fund is being accumulated.

"You have not been correctly informed in regard to the Disability Benefit, and the Additional Accidental Death Benefit being granted in connection with Term Insurance. Such benefits are granted by quite a number of companies as, for example, The Travelers, the Connecticut General and the Phoenix Mutual. There can be no question as to the financial soundness of these companies, and others equally sound grant the same benefits.

"In order to use $600 a year for life insurance to good advantage, we would point out that you can obtain $20,000 on the Ordinary Life plan, for a premium of less than $6,000, *non-participating*. Probably *participating* insurance will appeal to you more because the dividends of good companies increase with the duration of the insurance with the result that the cost from year to year becomes a smaller and smaller amount. This thought again is along the line of thrift. A 20-Payment Life Policy taken out now would, of course, leave you free from premium payments after age 63, and you might prefer to take a somewhat smaller amount on this form rather than on the ordinary life plan. Either is a good investment."

Thank You

Writing from Indianapolis, A. G. V. has the following to say about information sent him by the Insurance Department:

This will acknowledge your letter of January 5, for which I heartily thank you. Also I read with approval a copy of my letter in the last issue of THE MAGAZINE OF WALL STREET. I hope that the letter and your answer may prove of benefit to others. I will, in the future, direct any of my friends to you for help in the solution of their insurance problems.—A. G. V.

WALL STREET ACCOUNTING

By Frederick S. Todman, M. C. S., C. P. A. This work—the only one in its field—constitutes a fundamental revision of "Brokerage Accounts," by the same author, published several years ago. It offers a clear, detailed treatment of accounting and auditing methods for stock, cotton and produce brokerage. It embodies with this discussion a full explanation of the technique of trading on the stock and commodity exchanges.

UNLISTED UTILITY BOND INDEX

GAS AND ELECTRIC COMPANIES

	Offered	Yield
Bronx Gas & Electric Co. First 5s, 1960 (a)	80 bid	6.42%
Buffalo General Electric First 5s, 1939 (c)	98	5.15
Canton Electric Co. First 5s, 1937 (b)	86	6.46
Cleveland Electric Ill. Co. 5s, 1939 (b)	96	5.38
Cleveland Electric Ill. Co. 7s, 1935 (a)	102¼	6.74
Denver Gas & Electric Co. First 5s, 1949 (c)	93	5.50
Duquesne Light Co., Pittsburgh, 7½s, 1936 (b)	104½	7.07
Evansville Gas & Electric Co. First 5s, 1932 (a)	94	5.80
Kansas Elec. Utility First 5s, 1925 (c)	82	10.56
Kansas Gas & Electric 5s, 1922 (a)	100¼	4.95
Indianapolis Gas Co. 5s, 1952 (a)	88	5.80
Los Angeles Gas & Electric Gen. 7s, 1931	104	6.41
Louisville Gas & Elec. Ref. 7s, 1932, 1923 (c)	100¾	6.50
Nevada-Cal. Electric First 6s, 1946 (c)	95	7.45
Oklahoma Gas & Electric Co. First & Ref. 7½s, 1941 (c)	102	7.30
Oklahoma Gas & Electric Co. First Mtge. 5s, 1929 (a)	95	5.85
Peoria Gas Electric 5s, 1923 (a)	99	6.05
Rochester Gas & Electric Corp. Series B 7s, 1946 (b)	108	6.35
San Diego Cons. G. & El. First Mtge. 5s, 1939 (a)	91	5.85
San Diego Cons. G. & El. First Mtge. Ref. 6s, 1939	100	6.00
Standard Gas & Electric Conv. S. F. 6s, 1926 (b)	95	7.30
Standard Gas & Electric Secured 7½s, 1941 (c)	101	7.40
Syracuse Gas Co. First 5s, 1946 (a)	90	5.77
Twin-State Gas & Electric Ref. 5s, 1953 (c)	77½	6.72

TRACTION COMPANIES

	Offered	Yield
Arkansas Valley Ry. L. & P. First & Ref. 7½s, 1931 (b)	100	7.50%
American Light & Traction Notes 6s, 1925 (c)	106	3.70
Bloomington, Dec. & Champ. Ry. Co. First 5s, 1940 (a)	67½	8.50
Danville, Champ. & Decatur 5s, 1938 (a)	78	7.36
Georgia Ry. & Power 5s, 1954 (b)	86¾	5.91
Kentucky Traction & Terminal 5s, 1951 (a)	68	7.60
Knoxville Ry. & Light 5s, 1946 (b)	76	7.10
Milwaukee Light, Heat & Traction 5s, 1929 (a)	93	6.20
Milwaukee Elec. Ry. & Light 7s, 1923 (c)	102	4.93
Milwaukee Elec. Ry. & Light 20 year 7½s, 1941 (b)	103½	7.20
Monongahela Val. Trac. Co. Gen. Mtge. 7s, 1923 (c)	99	8.06
Memphis St. Ry. 5s, 1945 (a)	72	7.60
Northern Ohio Trac. & Lt. 6s, 1926 (c)	97	6.87
Nashville Ry. & Light 5s, 1953 (a)	86	6.00
Portland Ry. P. & L. 1st Lien & Ref. Ser. "A" 7½s, '46 (c)	104	7.16
Topeka Ry. & Light Ref. 5s, 1933 (c)	78	8.05
Tri-City Ry. & Light 5s, 1930 (c)	92	6.25
United Light & Rys. Ref. 5s, 1932 (c)	86	7.00
United Light & Rys. Notes 8s, 1930 (c)	105	7.17

POWER COMPANIES

	Offered	Yield
Adirondack P. & Lt. Corp. First & Ref. Gold 6s, 1950	98½	6.15%
Adirondack El. Power Co. First 5s, 1962	93	5.35
Alabama Power Co. First 5s, 1946 (a)	90	5.70
Appalachian Power Co. First 5s, 1941 (a)	84	6.50
Calif. Oregon P. Co. First & Ref. 7½s, Series A, 1941 (c)	104	7.11
Cent. Maine P. Co. First & Gen. Mtge. 7s, Series A, 1941	103	6.72
Cent. Maine Power Co. 5s, 1939 (a)	97	5.27
Cent. Georgia Power First 5s, 1938 (c)	87	6.30
Columbus Power Co. (Georgia) First 5s, 1936 (a)	91	5.96
Colorado Power Co. First 5s, 1953 (c)	85½	6.05
Consumers Power Co. (Mich.) 5s, 1936 (a)	93½	5.70
Electric Dev. of Ontario Co. 5s, 1933 (b)	94	5.70
Great Northern Power Co. First 5s, 1935 (a)	87	6.50
Great West. P. Co. First & Ref. 7s, Series B, 1950 (a)	105	6.61
Great West. P. Co. 5s, 1946 (a)	93	5.50
Hydraulic Power Co. First & Imp. 5s, 1951 (b)	95	5.30
Idaho Power Co. 5s, 1947 (a)	90	5.75
Kansas City Power & Lt. 8s, 1940 (c)	105	7.60
Kansas City Power & Lt. First 5s, 1944 (c)	90	5.81
Laurentide Power Co. First 5s, 1946 (b)	92	5.60
Madison River Power Co. First 5s, 1935	97	5.30
Mississippi River Power Co., First 5s, 1951 (c)	90	5.70
Niagara Falls P. Co. First & Cons. Mtg. 6s, 1950 (b)	102	5.83
Ohio Power First & Ref. 7s, 1951 (c)	103¼	6.74
Penn. Ohio Power & Lt. Notes 8s, 1930 (c)	99½	8.10
Potomac Electric Power Gen. 6s, 1923 (c)	100	6.00
Puget Sound Power Co. First 5s, 1933	90 bid	6.81
Salmon River Power First 5s, 1952 (c)	92½	5.50
Shawinigan Water & Power Co. First 5s, 1934 (b)	97½	5.35
Southern Sierra Power Co. First 6s, 1936 (c)	98	6.22
S. W. Power & Lt. First 5s, 1943 (c)	86	6.20
West Penn. Power First 7s, 1946 (c)	104	6.66

TELEPHONE AND TELEGRAPH COMPANIES

	Offered	Yield
American Tel. & Tel. 3-Year 6s, 1922 (c)	101	4.50%
American Tel. & Tel. 5-Year 6s, 1924 (c)	101½	5.15
Bell Tel. Co. of Canada 1st 5s, 1925 (b)	94	7.26
Bell Tel. Co. of Canada 1st 7s, 1925 (b)	101	6.63
Bell Tel. Co. of Pa. 1st Refund. 7s, 1945 (c)	108	6.34
Chesapeake & Potomac Tel. Co. Va. 1st 5s, 1943 (c)	93	5.58
Home Tel. & Tel. Co. of Spokane 1st 5s, 1936 (c)	93	5.73
Western Tel. & Tel. Co. Coll. Trust 5s, 1932 (b)	95	5.66

*Investors should note that the "asked" price on a bond may vary from 1 to 5 points from the "bid," depending upon the activity of the security.

MISSISSIPPI RIVER POWER CO.

Operating Efficiently in a Territory Which Should Be Quick to Reflect Change for Better in Business Conditions

By JAMES N. PAUL

MISSISSIPPI River Power Company first 5% bonds maturing January 1, 1951, have been fairly active recently. For a long term investment the issue appears attractive, combining safety with a conservative yield. Gross earnings for the twelve months ended January 31, 1922, amounted to $2,745,030 and net after taxes $2,028,019. Interest requirements on funded debt amounted to $941,485.

The company owns one of the largest hydro-electric plants in the world on the Mississippi River at Keokuk, Iowa, with an installed generating capacity of 150,000 k. w. Foundations are in place for an additional 50,000 k. w. Contracts for sale of approximately 130,000 k. w. are now held. More than 80% of its earnings come from power supplied to public utility companies so that its business is well stabilized.

There are $18,829,700 of the 5s outstanding out of total authorized issue of $25,000,000. Earnings are more than twice interest requirements. Territory in which it operates being in the vicinity of St. Louis is good; and better business conditions should in turn be reflected in better earnings for the company. Selling around 90 the bonds yield 5.70% if held to maturity. Considering the large excess of earnings over dividend requirements and the stable nature of the enterprise, these bonds offer a good investment opportunity.

American Water Works & Electric

American Water Works & Electric Co., which is analyzed elsewhere in this issue, has published its annual report covering 1921 operations. Report shows net income after charges and dividends on the first preferred 7% stock of $263,298 available for the $10,000,000 participating preferred issue or $2.63 a share compared with approximately $1 a share in 1920. Recent advance of this issue listed on the New York Stock Exchange has brought forth talk of possible dividend payments on the participating preferred, but belief is that no action along this line can be looked for until later in the year. It is understood earnings are now running between $4 and $5 a share on the stock at present.

American Light & Traction 6s

Since mention in these columns in the previous issue, American Light & Traction Co. 6% notes have advanced more than six points, getting above 106. The move is in sympathy with the advance of the common stock. They are redeemable after May 1 next at 101, but in the meantime should continue to follow the course of the stock in view of the conversion privilege.

United Light & Railways Co.

In the face of generally poor business conditions in the middle west, where the company operates, United Light & Railways Co. seems to be holding its own. Despite a falling off in gross earnings during the twelve months ended January 31,

(*Continued on page* 795)

FOREIGN TRADE AND SECURITIES

(*Continued from page* 749)

able to wipe out its whole debt in ten years. Last year it had a surplus, a very real surplus, of over four million dollars. A recent loan floated by the Province was oversubscribed many times although it was offered privately.

The Province of Ontario is Canada's richest province and its credit stands high. Although financially it is perhaps not in such good shape as its sister province to the immediate East, almost any of its securities can be most heartily recommended. While agriculturally the premier province of the whole nine, it has during the past few years, made amazing progress industrially. A very large proportion of the seven hundred American branch plants located in Canada are situated within the borders of the Province of Ontario.

Canadian Municipal Issues

Among the municipalities, one can recommend, the securities of the City of Montreal and the City of Toronto, Montreal is the third greatest seaport in America, is now managed by a commission of experts and has before it with the development of the Canadian West a most promising future. A recent bond issue was oversubscribed many times and sold at a rate that astonished even Montrealers.

The securities of the City of Toronto are also popular in the United States. The City of Toronto stands next to Montreal in point of importance among the Canadian cities. It is capably managed by a commission. It is growing rapidly as an industrial center.

Among the public utilities, one can recommend Montreal Tramways, Shawinigan Water and Power, and Cedar Rapids Manufacturing and Power Company. Montreal Tramways Company operates the street railway system in Montreal on a perpetual franchise. Unlike most of the street car organizations it is not threatened by public ownership. The position of the City of Montreal is in its self a guarantee of the company's future.

Shawinigan Water and Power not only serves the City of Montreal with power, but serves a number of industries, notably the pulp and paper industries which lie along the St. Maurice River above Three Rivers. The company has assets of close to $40,000,000 and is undoubtedly one of the premier power and electrical development organizations in North America. It is most carefully managed and a consistent "earner." Both its bonds and its common stock can be recommended.

Canadian Industrials

So far as the Canadian industrials are concerned, the writer would favor the more conservatively managed and capitalized pulp and paper companies, as offering the earliest opportunities for profit. These companies are now operating to 90% of capacity, a higher percentage than that prevailing in the United States and seem likely to be a position to recover from the present industrial depression faster than any other Canadian industrial organizations. They will feel at once the coming improvement in the United States where the greater part of their output finds its market. The capital stock of the Laurentide Company, it has no bonded indebtedness, would seem to offer interesting possibilities. It is the strongest paper organization in Canada and is a consistent earner.

Among the Canadian rails, one can unhesitatingly suggest Canadian Pacific Railway bonds and stock. The bonds are secured by what is probably the best railway property in America. The stock at its present price would seem to offer an excellent opportunity for profit during the next few months.

Space forbids further detailed recommendations. Suffice it to say that the tabulations which accompany this article contain the names of a number of good Canadians that can be recommended. A careful examination of their respective merits will prove to be quite worth while to any American investor interested in the future possibilities of the Dominion of Canada.

INTIMATE TALKS WITH READERS

(*Continued from page* 784)

receivers' hands should the present business and industrial depression continue longer than most of us now expect. It is hardly necessary to mention names in this connection, for a cursory glance over the share list will disclose just which companies are meant. Hence, a stock which looks cheap alongside of its former high price level may, after all, prove rather dear to one who fails to observe due caution at a time when the market is unusually fraught with pitfalls.

As a general thing, legitimate brokerage houses, whose true interests are intimately bound up with the weal or woe of their clienteles, are no less insistent upon the maintenance of adequate margins in long-drawn-out bear markets than in boom times when stock prices are advancing by leaps and bounds. This is as it should be, for neither brokers nor customers can afford to throw caution to the winds at a time when no one can tell from one day to the next which companies are safe and which are heading for disaster. The moral to be drawn from all this is: The fact that stocks are down, that some are even selling far below intrinsic values, and that many seemingly safe issues are ruling at bankruptcy levels, is no excuse for slim margins in stock market trading.

It goes without saying that the subject of marginal requirements is one of the most important connected with stock market transactions.

It is axiomatic that the best results are produced where care has been taken not to underestimate the potentiality of a stock to decline (or to advance, in the case of short selling.)

Probably more money has been lost in Wall Street because of slim margins than for any other cause.

CONSOLIDATED GAS CO.

(*Continued from page 777*)

company, there are those who believe that an increase in the annual rate may soon be forthcoming. Such action would seem to be entirely justified from an earnings standpoint but political considerations might delay the event. An increase in the rate, however justified, might be considered an opening for a fresh political attack though the fact that the new Public Service Commission appointed by Governor Miller has the matter of rates under their control would seem to assure fair treatment for the company.

Since 1893 Consolidated Gas Co. has an unbroken dividend record. Since that year in only six years has less than 6% been paid annually. In recent years the rate has been 7% annually. From 1911 and up to 1915 6% was paid annually and rate was then increased to 7% where it has since been maintained. Selling recently at 110 the yield is approximately 6.40% which can be considered good considering the speculative possibilities offered. In 1901 when dividend rate was 8% the stock sold as high as 238.

The Five Year Bonds

The five year 7% convertible bonds issued in 1920 and maturing February 1, 1925, appear attractive combining a good investment together with possibilities for enhancement in value. Bonds are a direct obligation of the company and are secured by pledge of $35,000,000 par value of the capital stock of the New York Edison Co. After February 1, 1922 they became convertible into the capital stock at par. They are redeemable as a whole only during 1922 and 1923 at 102 and during 1924 at 101. When Consolidated Gas stock crossed par and sold up several points recently the bonds naturally followed.

While the capital stock has had considerable advance in price, purchase even at present levels seems advisable. The stock always enjoyed a high rating as a public utility issue and as recently as 1916 with a $7 annual dividend sold up close to 150. With stocks of public utilities gaining in favor it will probably continue its upward movement under the stimulus of talk of an increase in the dividend rate.

UNITED LIGHT & RAILWAYS CO.

(*Continued from page 793*)

1922, which amounted to slightly in excess of $700,000, the company was able to show a small increase in the net available for dividends after fixed charges. This is attributed to better control of operating expenses. Latest earnings statement embracing twelve-month period to January 31 follows:

	1922	1921
Gross	$11,304,495	$12,034,490
Net	3,389,299	3,276,264
Bal. for divs.....	1,449,780	1,415,469

United Light & Railways Co. 5s maturing 1932 and the 8% notes maturing 1930, both quoted in the table opposite, appear attractive as giving a fairly high yield.

OVER-THE-COUNTER

IMPORTANT ISSUES
Quotations as of Recent Date

Aeolian Weber	.. 15
Pfd.	.. 65
American Piano	60– 65
Pfd.	80– ..
American Type Founders, com	46– 49
Atlas Portland Cement	47– 52
Babcock & Wilcox	108–110
Borden Company	100–102
Celluloid Co.	105–108
Childs Co., ex. div	104–106
Crocker Wheeler	.. 60
General Baking	98–102
Jos. Dixon Crucible	134–140
Ingersoll-Rand	142–155
H. W. Johns-Manville	400–450
New Jersey Zinc	145–148
Niles-Bement-Pond	51– 54
Phelps, Dodge Corporation	160–...
Royal Baking Powder Co.	103–...
Safety Car Heating & Light	69– 73
Singer Mfg.	97–102
Stetson (John B.)	295–310
Thompson-Starrett	57– 63
Victor Talking Machine	1000–1050
Ward Baking Co.	102–105
Yale & Towne Mfg.	280–295

Striking Advances in Some Issues

OVER-the-counter stocks were generally firm during the past fortnight, but striking advances were scored in some parts of the list. Two features were General Baking and Singer Manufacturing. The Baking stock, which was 82 bid two weeks ago, closed the period 98 bid. This represents an advance of almost 40 points in this issue since December, last, and is in part a reflection of interest in General Baking resulting from comment in these columns.

Singer Manufacturing sold as high as 115, or a net upturn during the fortnight of around 15 points. Some of this advance may have been due to special market influences, since the issue later reacted to around par.

Borden Co.'s shares continued to reflect the strong position of the company as brought out a few issues ago, moving up to above par and maintaining its price.

Interest in over-the-counter stocks, as reflected by advancing market prices, is apparently much increased. Investors are realizing more fully that the securities dealt in in this market represent many of the finest manufacturing and miscellaneous companies in the world, and that investments of a high order are to be found among them.

American Piano Co.

Shares of the American Piano Co. are quoted in the over-the-counter market 60-65. As the issue is closely held, it might be difficult to secure any great amount of it near the bid price, although purchases at that figure would appear justifiable.

The American Piano Co. reports a very successful business for 1921, paying dividends of 7% on its preferred stock and 6% on the common. The company, as of the close of 1921, shows total indebtedness of about $700,000 with quick assets of $4,000,000, or nearly 6 for 1.

The outlook of the company for the present year is most encouraging, business for the first quarter showing a substantial increase over the same period in 1921.

The common stock, being on a 6% basis, would yield 10% if purchased at the current bid price. In view of the position the company occupies in the piano industry, as well as its inherent strength, the common shares appear a very desirable semi-investment.

The company's earnings ability this year will be enhanced due to the lifting of the large luxury tax formerly assessed on piano sales.

H. W. Johns-Manville

Operations of the H. W. Johns-Manville Co., one of the largest manufacturers of construction materials in this country, continue at a high rate. The balance sheet for 1921 just filed shows the corporation in a strong financial position, with merchandise holdings at a conservative point and cash and investments totaling well over 50% of the company's $11,000,000 in net quick assets.

As a record of the company's growth (*Continued on page 799.*)

MARKET STATISTICS

	N.Y.Times 40 Bonds	Dow, Jones Avgs. 20 Indus.	Dow, Jones Avgs. 20 Rails	N.Y.Times 50 Stocks High	N.Y.Times 50 Stocks Low	Sales
Monday, March 13	77.40	87.56	78.71	74.34	73.58	970,406
Tuesday, March 14	77.51	87.92	79.56	74.49	73.62	941,042
Wednesday, March 15	77.65	87.30	79.26	74.49	73.23	1,157,620
Thursday, March 16	77.63	88.11	79.21	74.54	73.43	1,121,900
Friday, March 17	77.90	88.46	79.28	74.62	73.82	1,193,107
Saturday, March 18	77.90	88.47	79.53	74.57	73.98	604,407
Monday, March 20	78.08	88.28	79.92	74.92	73.91	1,191,622
Tuesday, March 21	78.19	88.11	80.07	74.90	74.13	941,644
Wednesday, March 22	78.10	87.26	79.61	74.53	73.63	956,050
Thursday, March 23	78.02	86.90	79.13	74.02	73.71	801,457
Friday, March 24	77.96	87.40	79.08	73.99	73.17	851,325
Saturday, March 25	78.04	87.08	79.19	73.94	73.45	421,805

IMPROVED OUTLOOK FOR ZINC SHARES

(Continued from page 783.)

Around present levels, it appears to be a good low-priced mining speculation, with favorable long-pull possibilities.

BUTTE COPPER & ZINC COMPANY

These properties are being operated under lease to the Anaconda Copper Mining Co. They are located in the city of Butte, in a compact group of claims covering about 3,000 feet along the Black Chief vein. The Anaconda Copper Mining Co. owns $1,085,200 of the $3,000,000 stock, par value $5, outstanding. The property contains a substantial reserve of rich silver ore and manganese ore. The present lease held by the Anaconda Co. runs until 1931, and so far as Anaconda is able to make use of the production from the Butte Copper & Zinc Company's properties, the market for the ore appears to be assured. From the high point of $17 a share in 1919, the stock sold down to as low as $3.75 in July, 1921. **At present quotations it offers a rather slow and uncertain speculation.**

BUTTE & SUPERIOR MINING CO.

This company is too well known to need description here, as it has been referred to on numerous occasions in this magazine. It is best known as the operator of its famous Butte properties, particularly the Black Rock and adjacent mines. Early in 1921 the company's operations were limited to development work in the lower levels of its Butte property, particularly 3,600 feet of work below the 1,600-foot level. On the 2,000-foot level a promising vein of copper ore was opened. In March, 1921, the ore reserves were estimated at 461,350 tons, as compared to 422,100 tons in December, 1920.

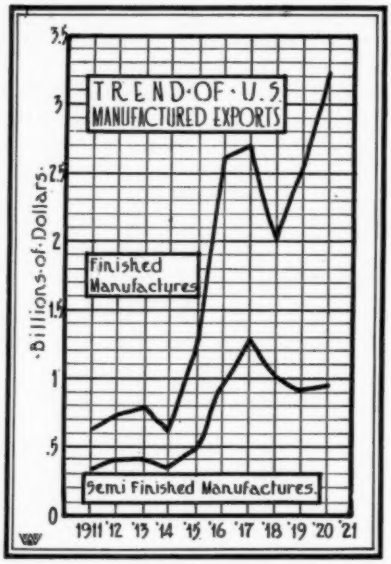
With the increase in zinc ore reserves, and the discovery of the new vein of copper ore which assays as high as 4% copper in some places over a width of 6 feet, the physical condition of the mine is improving. However, the litigation with the Mineral Separation North American Corporation, involving a claim of nearly $12,000,000, has not yet been settled, and this situation naturally disturbs all calculations with regard to the speculative value of the shares. **In view of this condition, and the fact that the shares have recently risen from a zone of accumulation between 10 and 15 up to a zone between 25 and 28, which rise appears to pretty well discount the recent improvement in the outlook for the zinc industry, the shares are not particularly attractive at present levels.**

It is useless to point out that these shares once sold as high as 105, because many important and serious developments have taken place since this record was made. If the stock continues to exhibit accumulation at present levels, and the proceedings with regard to the litigation begin to take a favorable turn for the better, this stock will again bear careful watching as a speculative opportunity. No dividends have been paid since 1917.

PRICE MOVEMENT AND ITS RELATION TO BUSINESS

(*Continued from page* 751.)

exports of manufactures to production. **This result of 13.3% represents the total excess and unused manufacturing capacity of this country.**



In other words about one-seventh of our manufacturing plants lie idle today for want of the export markets on which they depend. Certainly, therefore, the condition of world economics is of the highest importance to our manufacturers. This will be more clearly indicated from analysis of the price movement in connection with the volume of exports of manufactures.

Comparison of Trends

In comparing the trend of manufactured exports with the trend of commodity prices, one is limited by the fact that the commodity price index is based on a group of commodities not all of which represent manufactured products. However, a sufficiently clear idea may be had by using the Index as a basis of comparison so that its use is warranted in this connection.

From 1914 to 1920, each year saw a rise in the volume of our manufactured products, as represented in dollar value. This was equally true of commodity prices in the United States. Thus there was an increase of about 400% in the amount of our exports of manufactured products and an increase of about 150% in commodity prices, in the same period.

The increase in total exports in this period, including manufactured, farm and mineral products amounted to 550% against an increase of 150% in commodity prices.

It is apparent that the connection between the volume of our exports and the trend in prices is a very vital one. This was illustrated in 1921, a year of depression, which registered a very striking fall in the amount of our exports. In that year, coincident with the drop in exports amounting to over 50%, there was a drop in commodity prices of about 50%.

Recapitulating again we find in the period 1911-1920 an advance in commodity prices of 150% accompanied by an advance of 400% in manufactured exports and by an advance of 550% in general exports. In 1921, we find a drop of 50% in exports and an equal decline in values of commodities. No clearer illustration can be had of the effect that the volume of exports have on our domestic prices. **The advance or decline of prices in this country is influenced by the rise or fall, respectively, in the volume of our exports.**

The rise and fall in exports, of course, is directly associated with the purchasing power of foreign nations which in turn is directly determined by economic conditions within those countries. Foreign exchange rates as a reflection of conditions abroad necessarily affect the amount of our sales. But entirely disregarding the causes of fluctuations in our foreign trade movement, the outstanding fact is that prices here are governed to a greater or lesser extent by the amount we are able to sell abroad.

The reason for this is not difficult to understand. Under modern conditions, we not only produce more than we consume but our capacity for production is considerably more than sufficient to cover our needs. Thus we have an excess manufacturing capacity (potential productive power minus domestic consumption and foreign sales) of about 13.3%. We sell about 20% of our farm products abroad and about 14% of our mineral products. Our manufacturing plants, mines and farms are geared up to meet this potential demand. When this demand slumps, though even to a small extent, our markets are almost immediately crowded with the goods which the world will not take from us. This creates a temporary over-supply.

LEADING COMMODITIES

Percentage of Exports to Production

	1911 %	1912 %	1913 %	1914 %	1915 %	1916 %	1917 %	1918 %	1919 %	1920 %
Cotton (raw)	69.1	79.2	65.2	57.8	66.3	54.0	37.5	33.1	56.0	126.0*
Copper	32.1	60.0	61.5	77.8	37.4	49.8	68.9	47.4	50.6	59.9
Coal	3.1	4.0	4.0	3.6	3.8	4.7	4.3	4.2	3.5	5.6
Pig Iron	.75	.47	.52	.44	.45	.40	.30	.14	.12	.59
Steel Rails	10.53	14.64	13.63	9.42	7.87	24.90	21.07	14.82	24.80	25.00

*Including part of previous year's crop.

Competitive conditions accomplish the rest; prices are cut, plants and mines shut down, the farmers produce less, unemployment grows, the price level descends.

Several Illustrations

Comparison of the export movement in several of our leading commodities with the price movements of those commodities indicate how closely the latter are affected by export conditions. Copper and cotton furnish two very good examples. With over 50% of United States copper production over a period of years going abroad, it is obvious that foreign demand would at all times exert a profound effect on the price situation with regard to this commodity. This is borne out by the following: In 1911, 32.1% of our copper was sold abroad on an average price of 12.55 cents per pound. In 1912, we shipped abroad 60.0% of our production (see table on Leading Commodities) and the price level jumped to 16.48 cents per pound. From that time on exports increased regularly and at the same time prices until in 1917 exports reached a figure of nearly 70% of our production and prices rose to 29.19 cents a pound. From that time on there was a slump in exports reflected by a drop in prices to about the 13 cent level. The same situation was practically true of cotton of which more than half our production is yearly sent abroad. Steel exports also furnish an example of the effect of exports in prices. One reason for high steel prices at home was the increasing amount of our shipments abroad.

Conclusion

These are merely illustrative instances. To a less and less and less extent prices in this country are governed by local considerations. The United States as part of the world economic structure, into which it is being welded more and more firmly as time goes on, necessarily reflects a condition of prosperity or the reverse as conditions are or are not prosperous in the world at large.

In the same manner, whether our industries will or will not operate at close to their potential capacity depends directly on the amount of our goods which the world is able to absorb. The fact that in 1920, over 8% of the total production of this country was sold abroad may not mean much to those who regard this as a small figure, but when it is considered that the extent of our prosperity is directly dependent on maintaining at least that 8% excess, it will be seen that the export situation contains very vital significance to the entire business community of this nation. Undoubtedly without an increasing amount of exports we cannot hope to thrive successfully. Certainly, without at least that amount, we cannot hope to maintain even the present price level.

Should the volume of our exports continue to decline, the result must necessarily be to limit production and to lower prices. On the other hand, if foreign trade generally revives the result should be stimulating to our entire industrial life.

H. W. JOHNS-MANVILLE CO.

(Continued from page 796.)

in recent years, the following 7-year comparison may be found of interest:

Year	Working Capital
1915	$3,987,576
1916	5,943,386
1917	8,285,857
1918	11,803,223
1919	12,878,890
1920	14,016,486
1921	11,067,877

Johns-Manville shares are quoted around $400 in the over-the-counter market. The corporation is credited with a large cash surplus and the stock is considered to be in line for a melon-cutting.

BROKERAGE HOUSE FAILURES SINCE NOVEMBER, 1921

(Continued from page 745.)

been discouraged from their operations will be swept away leaving the investment field free and clear to those who are willing and anxious to do business in a straightforward and legitimate way.

CERTAIN-TEED PRODUCTS CORP.

(Continued from page 765)

enabled to close the year 1921 well supplied with working capital and with the excellent ratio of 4.28 to 1 as between current assets and current liabilities.

Conclusion

Capitalization of the Certain-teed Products Corporation includes $3,660,000 7% 1st preferred stock; $2,675,000 7% second preferred and 82,000 shares of common. Both preferred issues are of par value $100 and cumulative as to dividends. The common shares have no par value, but are carried in the company's balance sheet at $33 per share.

Of the two preferred issues, the first preferred is the more widely held and therefore calls for special comment. Despite the unusual strain to which the company was put last year, dividends on this first preferred issue were covered almost twice; and in view of the improvement, actual and prospective, in the company's earnings, it may be said to have a good margin of safety behind it. Yielding close to 8.6% at the present price of 83, this stock is entitled to a good rating as an industrial investment with a speculative tinge.

The common stock, carried in the company's balance sheet at $33 per share, is paying no dividends at this time. It is therefore a pure speculation, although likely to go considerably higher if the company's sales continue their recent improvement. The stock is now selling around $38.

(NOTE: The 10-point advance in Certain-teed Products shares since the foregoing was written bears out the conclusions reached by the author. The move reduces some of the issue's attractiveness, although it should prove a timely purchase on reactions.)

NEGLECTED OPPORTUNITIES IN BONDS

(Continued from page 754)

to build and operate railway lines in the Philippine Islands under a concession granted by the Philippine Government in accordance with an act of Congress of the United States, and with the approval of the Secretary of War. The first 4s, which are outstanding in amount of about $8,549,000, are secured by a first mortgage on the lines of the railroad, equipment, franchises and other property. The bonds are guaranteed as to interest by the Philippine Government and are accepted by the Secretary of the Treasury as security for Government deposits in National banks. It must be admitted that in past years the road's earnings have been rather poor and the Government has been paying a portion of the interest on these bonds. However, in view of this Government guarantee and the tremendous natural resources of the islands it is reasonable to presume that the future operations of the road will show improvement as the country develops.

Rio Grande Junction 1st 5s 1939.

These bonds are secured by a first mortgage on the entire property of the Rio Grande Junction Railway, which is the only standard gauge railroad between the East and West through the State of Colorado. The road extends from Grand Junction to Rifle Creek, Colorado, a distance of 65 miles through the Canyon of the Grande River. This mileage of the Rio Grande Junction is an indispensable link in the Denver & Rio Grande-Western Pacific Transcontinental System. All freight and passenger trains of the Denver & Rio Grande, Western Pacific, Missouri Pacific and Chicago, Burlington & Quincy, between the East and San Francisco, through the State of Colorado, must pass over this line.

The road is leased to the Denver & Rio Grande for 30% of its gross earnings, the minimum rental being equal to the interest on the outstanding bonds. The bonds are authorized and outstanding only in amount of $2,000,000 and at present 6% of gross earnings is sufficient to take care of this interest, the remaining 24% received under the lease passing on in the form of dividends to the Denver & Rio Grande Company which owns 98% of the capital stock.

Clearfield Bituminous Coal 1st 4s 1940.

Outstanding in amount of only about $500,000 these bonds are secured by a first mortgage on 14,000 acres of coal land owned in fee in Pennsylvania and also on mining rights on 18,000 acres. The property includes ten mines and over one hundred coke ovens. The bonds are guaranteed as to interest by the Beech Creek Railroad Co., which guarantee was assumed by the N. Y. C. & Hudson River R. R. Co., now the New York Central. Following the First 4s there is an issue of $2 500,000 4½s, which is guaranteed principal and interest by the N. Y. Central.

General Baking Co. 1st 6s 1936.

The General Baking Company was incorporated in 1911 as a consolidation of twenty bread baking concerns. It owns plants located in New York, Boston, Pittsburgh, Washington, Cleveland, Detroit, and numerous other large cities. In all, the plants comprise eighty-three buildings and produce on the average about 500,000 loaves of bread per day. According to the Jan. 1, 1921 balance sheet real estate was valued at $5,399,000 and other tangible assets, less all liabilities, at about $2,000,000, making a total of over $7,399,000 in assets behind $2,702,000 outstanding First mortgage 6s. Net income for 1920 available for interest, after depreciation, amounted to over $1,250,000 against interest requirements of $166,390.

Hackensack Water Co. 1st 4s 1952.

This company owns about 570 miles of mains and supplies water to 47 communities in Hudson and Bergen counties, New Jersey, covering a population of about 300,000. The bonds are secured by first mortgage on all properties now owned or hereafter acquired. Bonds are outstanding in amount of $4,750,000 and are followed by $2,125,000 preferred stock and $5,125,000 common stock. Company's earnings are satisfactory and show a wide margin over interest requirements.

Kings County Elevated Railroad 1st 4s 1949.

This company is a part of the Brooklyn Rapid Transit system which is now in receivership. The bonds, however, are a first mortgage on one of the most important lines of the new subway system in which the B. R. T. is a partner with the City of New York. These bonds, outstanding in amount of $7,000,000 underlie $16,000,000 Brooklyn Union Elevated 1st 5s and by a court ruling both issues are a prior claim to $18,000,000 receivers certificates. The security of both principal and interest of these bonds is unquestionable.

Sierra & San Francisco Power Co. 1st 5s 1949.

Outstanding in amount of $7,500,000; secured by first mortgage on properties valued in excess of $17,000,000. Properties of the Sierra & San Francisco Power Company have within the past two years been leased to the Pacific Gas & Electric Company for a period of fifteen years. The Pacific Gas and Electric Company is recognized as one of the largest of the well established and successful public service corporations in the United States. In leasing the properties the P. G. & E. has assumed all fixed charges of the Sierra & San Francisco. The Sierra & San Francisco has a forty-four year contract, dating from 1910, to furnish all power used by the United Railways of San Francisco. The net earnings from this contract are deposited as part security for the First 5s and according to

estimates based on past requirements the income from this source alone will be more than sufficient to pay interest on these bonds.

Ingersoll-Rand Co. 1st 5s 1935

Outstanding in amount of only $1,000,000 and secured by a first mortgage on all the company's plants which have a value many times these bonds. Following the bonds there is outstanding about $2,500,000 6% preferred stock and over $10,000,000 common. Common stock has a present market value of about 150 per share indicating a huge equity for the First 5s. Earnings, after depreciation, over past five years have averaged about $8,000,000 per annum against bond interest of $50,000. Company is engaged in manufacture of air compressors, hydraulic drills, etc.

Ontario Transmission Co. Ltd. 1st 5s 1945.

Outstanding in amount of about $1,500,000. Secured by a first mortgage on real estate and other properties valued at about $3,300,000. These bonds are also guaranteed, principal and interest, by the Ontario Power Company of Niagara Falls. Bonds are undoubtedly high grade.

St. Joseph Stock Yards 1st 4½s 1930.

These bonds are a first mortgage on certain stock yard properties valued at over $4,173,000 against outstanding bonds of $1,250,000. Bonds are undoubtedly well protected by large equities. Company controlled by the Swifts.

St. Louis, Rocky Mtn. & Pacific Co. 1st 5s 1955.

Outstanding in amount of slightly over $4,200,000. Secured by first mortgage on 322 square miles of coal lands in New Mexico on which company has in operation fourteen electrically equipped coal mines with a production capacity of 3,000,000 tons per annum and also 584 coke ovens with an annual capacity of 250,000 tons also by certain pledged securities. Value of company's assets behind these bonds amounts to somewhere in the neighborhood of $18,000,000. Earnings show wide margin of safety above bond interest.

U. S. INDUSTRIAL ALCOHOL

(*Continued from page* 761)

000 and $3,000,000 a year. Heretofore the jobbers have made about 25 cents a gallon profit as against 5 cents a gallon made by Industrial Alcohol. The company has decided to eliminate the jobber altogether and market its product direct to the garages thus getting the jobbers' profits. Considerable initial expense will be incurred to accomplish this but it will lay the foundation for greatly increased profits later on.

Conclusion

There is $6,000,000 7% cumulative preferred stock outstanding. At present price of about 95 it can be regarded as an attractive semi-speculative investment in view of the fact that the working capital of the company alone is equal to over $150 a share on the preferred stock.

The common stock is, of course, decidedly speculative but in view of the sound financial condition of the company and that it was able to show a profit in such an unfavorable year as 1921 it appears to have rather attractive possibilities at present levels of 47.

AMERICAN WATER WORKS & ELECTRIC CO.

(*Continued from page* 778)

gether with other income chiefly in the form of dividends received from West Penn. subsidiaries. The fiscal year ends June 30, but was recently changed to coincide with the calendar year. A statement for six months ended December 31, 1921, will be forthcoming soon. It is understood that earnings are now running about $5 a share on the participating preferred stock after all charges and allowance for dividends on the 7% cumulative preferred issue. Income account of the parent company includes only amounts actually received from subsidiaries. Obviously, through stock ownership, it still has an equity in undivided surplus of its companies in proportion to the amount of stock owned. Table Follows:

	1921.	1920.
Prop. net of water companies	$ 375,583	$ 482,947
Total gross..........	1,605,362	1,572,583
Net for dividends after fixed charges..	516,268	488,645

Conclusion

All classes of stock of the parent company have been listed on the New York Stock Exchange since August 21, 1921, and have been advancing steadily, recently going to new high prices for the year. The 7% cumulative preferred stock pays dividends regularly at the full rate and selling around 79 yields about 9% on the investment. This issue, with a seven years' dividend record behind it, is nevertheless not considered a well seasoned investment in the strictest sense of the word. This accounts for the comparatively high yield, but the stock is rapidly gaining in favor and can well be considered a good business man's investment.

Selling around 30 recently the 6% participating preferred stock appears to offer good speculative possibilities. It has the added attraction that in the event increased earnings warrant dividends on the common in excess of 6% annually, the 6% preferred stock must participate in the higher rate in the same proportion as the junior shares. This issue sold down as low as 17¼ this year but has been advancing steadily and recently got above 31. If earnings are up to estimates and are running close to $5 a share, there is the possibility of inauguration of dividend payments perhaps this year or early in 1923.

The common stock is of course purely speculative and has this year almost doubled in selling price. Early this year stock sold down to 6½ and has recently sold at 12.

LEATHER INDUSTRY IMPROVING

(*Continued from page 767*)

mulations, was speculatively attractive enough around the 70 level, without giving consideration to the common. The total amount of preferred outstanding is $12,548,000, and back dividends represent approximately $15,000,000, or over $6,000,000 more than present market value of the preferred stock.

The topic of the readjustment of American Hide & Leather will doubtless again become an active one. One of the plans suggested two years ago was the issuance of second preferred stock to the amount of the back preferred dividends, but there is no present evidence to show that this plan is still being considered. Sooner or later some readjustment is inevitable. This, of course, is a speculative backlog for the stock, but at the same time it must be remembered that the pre-war earning power was not promising and the ability to pay dividends upon the preferred shares came only when the war boom lifted revenues to unusual heights.

BROWN SHOE COMPANY

Earning Power Restored

Although the shares of the company are not particularly active, Brown Shoe Company is one of the largest manufacturers of shoes in the United States, operating ten plants in and around St. Louis. Originally established in 1879, the company, as it stands, was organized in 1913. Net sales trebled in the period from 1913 to 1920, and in those eight years earnings upon share capitalization were satisfactory, particularly so in the four years beginning 1916 and ending with 1919, when a total of $75 a share was earned on the common stock.

Since 1913 Brown Shoe has increased total share capitalization from $9,900,000 to $13,662,500. The increase in the common stock was due to a 33⅓% stock dividend paid in July, 1920, just prior to the beginning of the depression in the shoe industry.

Large War Earnings

Due to the large earnings of the war period the company had been enabled to advance the dividend rate upon the common shares to $7. Apparently the management was quick to see what the shoe industry was to face in the readjustment period, for in November, 1920, quarterly cash dividends were suspended and have not yet been resumed. Preferred dividends have regularly been paid.

After earnings over $18 a share on the common stock in the fiscal year ended October 31, 1919, the company reported a deficit of $459,000 the succeeding year, and in the fiscal year ended October 31, 1921, the deficit after preferred dividends amounted to $1,125,000. Profits and loss surplus at the end of the 1919 fiscal year stood at $3,300,000 but had shrunk to $460,000 at the end of the last fiscal year.

In considering the report for the last fiscal year it is only fair to emphasize that in the second six months net profits were $462,229, with a net loss of $1,200,000 in the first six months. These figures indicate the corner was turned during the Summer, and this improvement is continuing, for in the three months ended January 21, 1922, shipments were $6,835,000 and the number of pairs of shoes shipped was double the number shipped in the first quarter of the preceding fiscal year.

Conclusion

It is not possible to get as intimate a view of Brown Shoe as is possible with companies whose securities are continually in the public eye, but the evidence shows that earning power is on the way to restoration and that the preferred dividend is much safer than it was six months ago.

At 90 the preferred appears to be a very fair kind of a purchase. The common selling, in the low 40s, is plainly in a speculative position. It has recovered about 10 points from its extreme low and probably will be subject to further moderate improvement.

NATIONAL LEATHER

Reorganization Should Pay

The National Leather Company was formed in 1919 to acquire the tanning and leather interests of Swift & Company. Unfortunately the corporation started business just prior to the collapse in the hide industry. The first earning statement, one for the six months ended December, 1919, showed earnings of $1.18 a share on the 3,000,000 shares outstanding of $10 par value. A dividend of 40c. a share was paid in February, 1920, and one of 40c. in August, 1920, but none since.

After this relatively promising start misfortunes came thick and fast. In the year ended December 31, 1920, there was a deficit of $2,765,000. This was only the beginning, for the loss in the nine months to October 1, 1921, was almost $18,500,000, and a reorganization of the company became absolutely necessary. The reorganization was effected without recourse to receivership, but the 3,000,000 shares of $10 par stock were reduced to 750,000 shares of $10 par, which stockholders exchanged on the basis of one share of new for each four shares old. Furthermore, in order to raise working capital, the issue of 150,000 shares of $100 par value 8% preferred stock was authorized. This stock, up to the amount of $13,000,000, was underwritten at $100 per share, thereby assuring the company of $13,000,000 new money.

The senior securities of the National Leather Company are the $10,000,000 8% notes, 1925, and these seem to be in a safe position. From now on factors affecting the business ought to be constructive instead of the reverse. The notes at current prices yield a little better than 8%.

The fact that the new issue of preferred stock was underwritten would indicate that interests identified with the company had considerable faith in the future. It will require $1,200,000 annually to pay the full year's dividend upon the entire amount of $15,000,000 preferred stock authorized, and it seems

as if such earnings could be expected under normal business conditions.

ARMOUR LEATHER
Company Turns Corner

Armour Leather Company, as its name suggests, is an offshoot of Armour & Company, having been incorporated in 1920 to acquire all the leather assets of the big packing firm. Armour Leather has outstanding $10,000,000 7% cumulative preferred and 1,000,000 shares of common stock of $15 par value.

In the four years just preceding the organization of this company the annual profits, after taxes, ran from $3,500,000 to $6,000,000 and indicated an earning power of close to 20% on the present outstanding common stock. The four years covered, however, were exceptionally good ones for the hide and leather industry.

Like other companies, Armour & Company was hit between the eyes by the business depression and reported a deficit of over $4,000,000 in 1920 and a deficit of $7,500,000 in the year ended October 29, 1921. Preferred dividends were suspended in July, 1921, and the last dividend on the common was paid in September, 1920.

During the summer of 1921, Armour & Company was a big purchaser of hides at the lowest prices prevailing in fifteen years. The loss suffered in the fiscal period ended October 29, 1921, was recorded in the period to July 30th, for in the last quarter of the fiscal year an operating profit of $859,000 was shown, and the first quarter of this year will also show an operating profit.

Both the preferred and common shares of Armour Leather find their best market in Chicago. The senior issue is around 83, and with a further recovery in earnings dividends should be resumed. The common stock selling around 12 is at entirely speculative levels, with the future dependent upon the speed with which the industry recovers.

CONFESSIONS OF A BUCKET SHOP EMPLOYEE
(*Continued from page* 785.)

In addition to the Telephone Department I have spoken of, there was a large force of outside salesmen, much older than myself, who had long experience in the rottenest of all swindles, namely, the promotion of fake oil and mining stocks. These men were selected with the greatest care. Only those appearing to possess the qualities of a gentleman were accepted. They were plentifully supplied with money and required to dress immaculately. Indeed, their appearance and general personality would command the instant respect of almost anybody. I have known of cases where it has cost the house $500 for one of these men to make a trip to some distant city, purely on a chance of getting an account of $1,000 or $2,000. In conjunction with these men, an expensive advertising campaign was carried on in out of town cities, and all inquiries, no matter how remote, were followed up by these financial vultures.

In cases where customers sat in the Board Room and demanded to see their sales on the tape, the orders were executed

but immediately sold out. In some cases the house lost an ⅛ or ¼ and in others gained that much more.

Customers were always urged to overtrade, consequently, on any slight reaction, they were called for margin, always in excess of the required amount. This was explained to the customer as an assurance of the firm's soundness, wishing at all times to keep their accounts secure. As this method was quite in contrast to other bucket shops, namely, carrying stocks on 5 and 8 point margins, even less, it helped to allay suspicion.

Toward the end of the year a special meeting of all the salesmen was called, and a plan outlined for the last three weeks, when most people would be tempted to withdraw profits if they were fortunate enough to have any, namely, a cash prize of $500 to the salesman having the least amount of money withdrawn from his accounts between December 1 and January 15. The result was, that customers were persuaded by every kind of a promise and guarantee that if they would take one more chance and follow salesmen's instructions they would be sure to make a cleanup just at the time when every one needed a little extra cash. They were advised to buy the wildest kind of stocks. Some were wiped out in a few days. Others carried the stocks for months before they could even break even. In addition to this the firm gave lavish cash presents to all employees, not based on length of service or loyalty but on the amount of money brought in during the year or period the man had been employed.

These things capped the climax as far as I was concerned, and I immediately resigned, knowing full well the ultimate result if I remained, either a jail sentence or a stigma on my name which never could be erased. As things turned out I was just in time as some ugly rumors had reached me in the past few weeks, and I understand it is but a short time before this concern will no longer be in existence.

I could enumerate many other instances but believe that these that I have will suffice, and sincerely trust that all those who are approached in the manner I have stated or who are the least bit doubtful as to the character of the firm they are doing business with will investigate to the fullest extent before placing their funds in jeopardy.

THE PRINCIPAL MID-CONTINENT OILS

(Continued from page 781)

and interest requirements on its bonds will take up a good part of future earnings, before there is anything available for the stock. Nevertheless, it would seem that the stock at recent low prices had probably discounted the most unfavorable news and that with a betterment of conditions in the oil trade it should recover to higher levels. **Looking into the future, one of the strong points in Marland's favor is that the company is situated in the midst of an oil district which as yet seems to have been only sparsely developed and there is every reason to believe that the company will have an ample supply of oil available for many years to come.**

UNCLE SAM GETS "HIS" FIRST

(Continued from page 743)

The net income of the corporations before paying either domestic or income taxes is $9,348,000,000 in round figures. The domestic tax is $932,000,000 and the federal taxes payable out of net income are $2,175,000,000, making a total of $3,107,000,000 out of a net, before domestic, and federal, income taxes, of $3,107,000,000, or about one-third. Which may have something to do with the high cost of living, especially as there are some other taxes, such as tariffs and miscellaneous internal revenue taxes, which are not under consideration in this connection, but are paid by somebody.

Space does not suffice for an examination of the review of personal income tax data provided in the analysis, but it is worth while to remark that it reveals most convincingly how the large fortunes are getting away from the federal tax collector, presumably by recourse to tax-exempt securities. For example: in 1914 26 persons reported net incomes of between $1,000,000 and $1,500,000. In 1919 two of them remained in that class, four had gone to higher incomes and sixteen had retreated down the scale, one of them managing to get into a taxable income of only $11,000.

ILLINOIS CENTRAL RR.

(Continued from page 759)

New Orleans railroads. They are, namely, the

15-year 5½% Secured Gold Bonds of 1934, and the

15-year 6½% Secured Gold Bonds of 1936.

While these issues are not secured by mortgages on any of the property they are nevertheless entitled to the highest rating because of the security pledged under these issues and the large margin of safety over interest requirements. Both issues are closed, bonds authorized and outstanding amounting to $16,000,000 and $8,000,000, respectively, and are selling to yield 5.55% to maturity.

INQUIRIES ON INDUSTRIAL SECURITIES

(Continued from page 789)

present time is a reflection of its very strong financial condition which justified dipping into surplus.

As of December 31, 1920, current assets totaled $15,598,881 and current liabilities $5,725,000, the company being entirely free of bank loans. Capitalization consists of $6,757,400 7% cumulative preferred stock, $242,600 6% cumulative preferred, par $100 and $16,073,775 common stock par value $25. No funded debt. The 7% preferred stock is selling around 100.

In 1920 the company reported earnings equal, after deducting depreciation taxes, etc., $4.45 a share on the common stock. This company has shown a good record over a long period of years and in view of the strong financial condition and the

somewhat better outlook for the steel industry we should say that the common stock at present levels of 36 has good long pull possibilities.

TEXAS GULF SULPHUR

Decidedly Speculative

I would like a little information in regard to Texas Gulf Sulphur. What is the capitalization? What dividend does it pay? Do you regard the stock as having merit as an investment, or is it too speculative?—D. C., New York City.

Texas Gulf Sulphur Company has outstanding capital stock amounting to $6,550,000, par $10. Its balance sheet as of June 30, 1921, showed working capital of $7,012,835. For the six months ended June 30, 1921, net earnings after operating expenses amounted to $1,154,402, without deduction for Federal taxes. The company declared an initial quarterly dividend of 50 cents per share and an extra dividend of 50 cents a share, both payable Dec. 15th to stockholders of record Dec. 1, 1921.

The company settled its litigation with the Union Sulphur Company in which $6,768,000 was involved, out of court a few weeks ago, the basis of settlement is unknown. The stock has had quite a considerable advance, and is a decidedly speculative proposition at this level.

WANTS 7% TO 8% YIELD

Five Attractive Securities

I wish to invest in stock or bonds paying from 7% to 8%. Something reasonably safe, with a chance for a raise in value. What would you recommend?—K. B. W., Pine River, Wis.

The following stocks and bonds yield from 7% to 8% and while they are not of course gilt-edge securities, we believe them to be in a very strong condition and look for them to advance in value. Would suggest purchasing a little of each as by distributing your holdings in that way, you lessen the risk—

	Price
Packard Motor 8s	100
Chile Copper 6s due 1932	85
American Smelting & Refining 7% pfd.	94
Philadelphia Co. common $3	36
California Petroleum 7% pfd.	88
B. F. Goodrich 7% pfd.	84

OVER TRADING

A Disastrous Policy

Have been a reader of your Magazine for some time, and have found it to be very helpful in trading in stocks provided one follows it out. Just now I am in a mess because I did not follow it out. Have been trading on margin for over a year with a capital of $5,000. As a result of some bad judgment I lost $2,000 up to last May when I became more cautious and made up most of my loss. Lately I became very reckless and started to trade for the day in some of the most active speculative stocks. Am short of Baldwin at 98 and other stocks that now show a big loss. I have no patience for the long pull. Now if I get out of this mess I expect to have about $500 left, so would appreciate it if you would suggest some stocks with good speculative possibilities so I can make up part of my loss. Have watched your suggestions like Martin Parry, Stewart Warner, etc., but as yet have not taken advantage of them, I only wish I had.—R. S., Baltimore, Md.

We have read your letter with interest and we note your losses were caused by the same policy that causes so many to lose in Wall Street, that is to say, overtrading and an attempt to judge the temporary fluctuations of securities rather than playing for the long swings based on real values. Our experience has been that people who have been able to make money in purchasing speculative securities are those who cultivate patience and who are willing to wait a certain length of time for their profits and who do not overtrade.

We regret that you did not take advantage of our suggestion in regard to Martin Parry and Stewart Warner. Martin Parry has now reacted to about 27 and we believe that it is a good purchase around that figure, Tennessee Copper selling around 11 also looks attractive. The latter company is in very strong financial condition with a working capital of $3,000,000 and has favorable sulphuric acid contracts. We do not believe that the present price has fully discounted the improved outlook and look for it to appreciate in value.

Securities and Commodities Analyzed in This Issue

Bonds

Industrials

Mining

Railroads

Public Utilities

Petroleum

Commodities

TRADE TENDENCIES

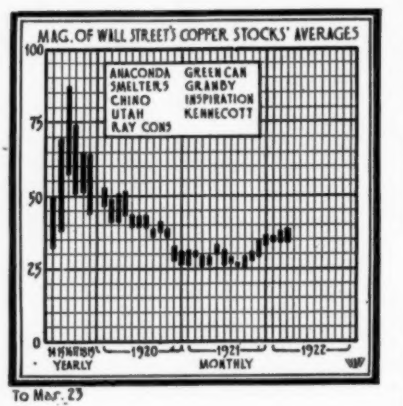
(Continued from page 779.)

year has been completed and that the industry is now on a sound basis.

METALS

Copper in Stronger Position

Copper is showing greater activity with both foreign and domestic demand increasing. Sales of the red metal during the first half of March reached an estimated total of 100,000,000 pounds, of which approximately 45,000,000 pounds were sold through the Copper Export Association



To Mar. 23

for export. Volume of sales in this period were equal to the entire business transacted during the month of February, while exports of 22,500 tons in the first two weeks of March compare with 24,679 tons for the whole of January and 27,394 tons for the month of December. Although it is unlikely that sales will continue at the same rate for the entire month of March, stocks of both domestic and export copper should show a reduction.

An encouraging feature of the foreign demand is its diversity. Buying is traceable to Great Britain, France, Italy and the Far East. A significant point in the buying by British interests is the fact that it is attributed to the practical exhaustion of that country's available supply of scrap copper inherited from the war.

Prices have recovered slightly from the low levels of February and appear to be stabilized around the present figure, 13 cents, which is ¾ of a cent below the December high and ⅜ of a cent above the February low. In view of the improvement in both foreign and domestic business it seems likely that prices of the metal will display resistance to any marked decline from this level. Producers have had no difficulty in obtaining 13 cents for export copper and the foreign business has absorbed enough of the metal to make them unwilling to shade prices in order to attract domestic buyers. In fact, any substantial increase in home consumption taken in conjunction with a continuation of export demand is likely to result in some marking up of the price level.

The outstanding feature of the zinc market is the continuous improvement in the statistical position of the metal. The supply of zinc on hand at the end of February was 64,124 tons compared with 66,608 tons on hand at the beginning of the year and with 67,409 tons on December 1, 1921. Excess of shipments over production has shown a progressive rate of increase during the last three months, the excess for December being 441 tons, for January 930 tons and for February 1,554 tons. This situation, combined with a somewhat more active demand, is reflected in a firmer price tone. Lead is quiet and firm with demand broadening as a result of increased building and construction work, seasonal activity in the automobile industry and more active buying of mixed metals for use of the railroads. Some improvement in lead prices appears to be in order. The tin market is unsettled by fluctuations in sterling exchange, but demand is in fair volume.

SUGAR

Position Improves

Though the market is from time to time unsettled, particularly after buying has been over-zealous, the trend in consumption continues upward. Both Europe and America are buying more heavily now, particularly Europe where sugar stocks have became depleted. It is now clear that Europe must become from this time on a preponderant element in the sugar situation.

The broad tendency of prices of both raw and refined sugar in recent weeks has been upward owing to the growing scarcity of prompt supplies. However, the rapid pace of the rise has somewhat discouraged buying by the refining interests and at present writing the market gives a heavy appearance.

At present levels, raw sugar has advanced about ½ cent a pound above the lowest quotations recorded several months ago. The improving prospects of the sugar companies have necessarily been reflected by an advance in their securities.

Under present conditions, the outlook is for a continued advance in sugar quotations as buying increases gradually. The outlook for the sugar industry is not so much dependent on an advance in prices as continued liquidation of stocks, of which there is still an abnormal supply on hand. In this connection, it would hardly prove of value to the sugar interests to maintain a high price for their product if this were to interfere with the flow of sugar from producer to consumer. The best interests of the sugar companies will be served by following a moderate attitude with regard to prices demanded. A sudden sharp advance in the price would more likely discourage than encourage buying.

All told, however, the sugar industry rests on a stronger foundation than last year. Very considerable progress has been made with regard to the liquidation of stocks and, provided, there is no excessive

speculation in the commodity, the industry should rest on a sound basis before the year is over.

MOTORS

Increase in Production

Current conditions among the more important automobile makers are good, in fact, very much better than expected. Practically all the leading companies have speeded production up to a point to take care of the growing demand.

The drastic cuts in prices which have placed the cheaper cars within reach of the buying public have been productive of excellent results in that they have greatly increased the purchasing impetus. Companies manufacturing cars selling under $1,000 are in the best position of all.

During the first quarter of this year, it is estimated that production will rise to a point exceeding that of any quarter last year with the exception of the April-June period, which is normally the best producing season. Second quarter results should of course be even better.

Main interest now centers on the price situation. It is practically assured that instances of price cuts will now be far and few between, especially since the demand for cars has definitely set in an upward direction. Recently there have been several instances of an advance in price and this is thought to forecast a general advace in prices later on. This could only come about however, on a demand that would be large enough to sustain such an advance. Speaking generally, it is not likely that this year will be marred by decisive changes in the price situation although it is reasonable to assume that there will be more advances than cuts.

The motor truck industry is now showing more signs of life. This industry has lain dormant for nearly two years and the present increase in business is only a natural development arising from the depletion of trucks. Owing to the improvement in business conditions more firms are buying trucks and it is practically certain that the industry will give a better account of itself this year than last.

SILK

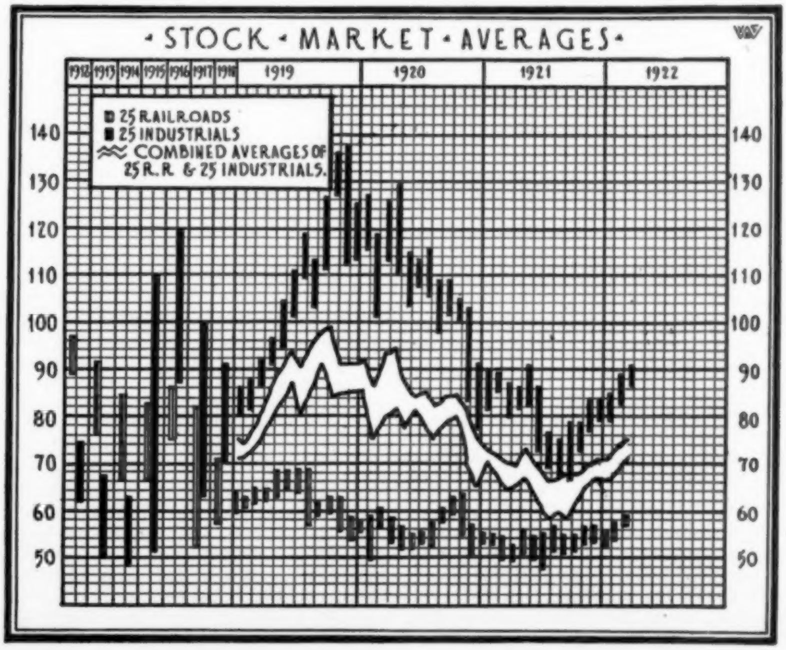
Long-Range Prospects Favorable

The trend of the raw silk prices is apparently still downward although they are fast approaching a level on which at least a temporary stabilization can take place. Manufacturers complain that silks cannot be made up in merchandise at a profit with raw silk above $6.00 a pound and are restricting their purchases to the absolute minimum, evidently in the belief that this price will sooner or later be reached.

Financial conditions in Japan are not all that could be desired and this fact had much to do with the recent break. Since May of the past year, Japan has had to contend with a well defined secondary period of inflation which reached its peak in January. The decline which has taken place in all commodities since then is reported to have placed one or two of the larger banks in a rather critical position.

While XXA cracks are now quoted at $6.70 compared with a high figure of $8.50, a drop of very nearly $2.00 a pound, nevertheless the unfavorable situation in Japan together with the curtailed buying in evidence here may carry prices lower.

The movement of silks at retail has been very satisfactory of late due to the special sales inaugurated by department stores throughout the country. Ribbons have shown some life recently and the hosiery trade in addition confidently expects a continuance of the prosperity of the past year. Viewing the matter broadly the decline can only be considered a favorable development to users of raw silk in this country, and the immediate disturbing effects once past, there exists good grounds for optimism for the future.



Readers' Round Table

Those Extra Eighths and Quarters

Editor, THE MAGAZINE OF WALL STREET:

Sir: You have been writing much about the bucket shops lately and your January 21 issue contains a very interesting letter on page 438.

What is the remedy? What is the distinction between a bucket shop and a member of the Consolidated Exchange—a New York Curb house or a member of other exchange houses. I have done business with various ones in different cities even N. Y. Stock Exchange houses and they "worked" the "overloading" methods though in some instances I blamed that on the personal ambitions of the customer's man.

Here in Chicago I am told that the N. Y. Stock Exchange houses will charge for commissions for 20-share lots on a 10-share purchase.

The Consolidated house I am at present doing business with usually wants to place an order for buying on a 10-share lot at a quarter point above their board marking. I presume this is to give the buyer on the exchange a little leeway, the customers trusting to the firm's honesty.

Regarding board room markings in a Consolidated house: Do they represent the price of sales on each 10-share lot or the bid and sales price on the big Board?

I was in one of the offices of a nationally known Curb house one day when the tape recorded two sales of an issue at a difference in price of three-eighths. The board marker filled in between these sales with a number of eighths and quarters making the stock appear tremendously active. Next day the paper recorded 300 shares.

Personally before putting in an order I step into the customer's room of an exchange (N. Y.) house and read the last recorded sale marked in yellow chalk. Why don't all brokers use this method of distinguishing actual sales from bid and asked?

I have also thought that a large bulletin board containing vitally important up-to-the-minute news on active issues might be a real service to the busy man who steps into a customer's room to glance at the Board. This, however, may be impractical.

I believe you would confer a favor on many beside myself by giving your recommendations as to where and how a small lot investor and speculator should do business taking into consideration the closer relationship a small house offers.—J. A. S.

The writer of the above letter makes the rather naive insinuation that it is not well to trust to the honesty of any firm dealing in securities. In this connection, it might be well to say that dishonest firms cannot be detected because of affiliation or lack of affiliation with any given group of security dealers. A member of any one of the number of regular exchanges or any outside exchange is not proven guilty of dishonest practices because of his affiliation. It is all an individual matter. Some firms are honest and others are not.

With regard to extra charges of eighths and quarters, it is unfortunately true that many outside houses make a practice of such excessive charges. When this is discovered it is the business of the customer to cease all business connections with the particular firm found guilty.

It would manifestly be impossible for this publication to make specific recommendations of security houses to its customers but in this connection we might say that we carefully investigate before we accept any advertising material. The best advice we can give is to trade only with houses of sound reputation and to avoid those who are guilty of practices such as described in our expose of the bucket shops.—EDITOR.

More About Railroad Passes

Editor, THE MAGAZINE OF WALL STREET:

Sir: The letter signed J. McK. in your issue of Feb. 4th, protesting against the railroad pass is so unfair and obviously based on an incorrect understanding of the railroad situation, that I feel I must reply to same.

I have been in the railroad service for over 15 years, not including 15 months in France with the U. S. Railway Engineers, most of the time as a commissioned officer.

Mr. McK. appears to object to passes on the ground that railroad men are generally overpaid. This is not the case as can be proven by official statistics. As a general class railroad men are not overpaid but some individuals are. The Interstate Commerce Commission figures for July, 1921, show the average wages for all classes, to be $27.44 a week. The train service employees, the highest paid union employees, only make big money when they work long hours with the exception of comparatively few preferred runs requiring at least 20 years seniority to reach. The basic rate of pay is low compared with other industries and the great majority of employees have no chance to work overtime and thereby earn high wages. What is wanted is no reduction of the basic rate, which would penalize the many for the excessive wages of the few, but the unfair working rules should be eliminated and this the Labor Board will undoubtedly do sooner or later. I hold a responsible supervisory position but my salary is much lower than many of my friends in other lines of endeavor who hold similar positions.

(*Continued on page 7a*)

COMPETITION JEOPARDIZES RAILROAD EARNINGS

(*Continued from page 742.*)

The Basis for Railroad Credit

"To establish railroad credit, requires good fair honest treatment on the part of our lawmakers regarding rates, rules and regulations, so that there will be satisfactory revenues, in order that substantial maintenance may be possible, whereby our equipment, roadways and structures will be put in condition to meet every requirement, with a decent return left to apply on the investments. We can't say that just now there is a feeling of confidence in that direction; but we hope those days are not far off.

"So far as our friends on this side of the water are concerned we can safely say that they, too, will join in the purchase of our railroad securities, the very day that railroad credit is permanently established. It can't be possible that these great public necessities—the railroads—will be overlooked, to their detriment, by a lack of foresight on the part of the powers who make and administer the laws.

Motor Truck Competition

"Now, you ask me what my views are, regarding motor truck competition," said Mr. Kruttschnitt. "When I see these ponderous motor trucks—loaded high with all kinds of freight—rolling at top speed, through the streets and along the public highways which have been, of late years, remodelled and are now maintained by the taxpayers, at an enormous expense, I can't help but feel what a grossly unfair competition the railroads have to meet. The motor truck owners, at no expense whatever for maintaining the roads over which they operate, do a regular common carrier's business; under no orders and are free from any exacting regulations.

"If the railroads were relieved of taxes on roadway and roadway maintenance, as the truck owners are, they could reduce freight rates 38%, under present rates, and profit well, at the same time. Think of that. I have expressed myself, on this subject at various times, and have brought down, on my head, heaps of abuse and adverse criticism, because I have been regarded as especially prejudiced; but I am glad to say that public opinion is changing now in different sections of the country. The taxpayers are awakening to the methods of the motor truck owners. You see when one's pockets are touched by the tax collector, he is likely to ask the reason why.

"In some of the Western States action is being taken to compel motor truck owners to contribute toward the building and maintenance of highways, based upon the sort of use they make of them. When one considers all the damage these overloaded vehicles bring about, it would not seem out of place to have the owners shoulder the entire cost of maintenance.

"If we go further into the subject of ways or routes maintained by taxpayers and used with little or no expense by transportation agencies in competition with the railroads built with great expenditures of private capital, let me mention the highways, the Panama and other canals and inland waterways developed at large cost. These avenues of transportation were provided with money furnished by *all* the people, including those who own the railroads. Those who use them *for common carrier purposes* are furnished with permanent ways without charge or special taxation and with other discriminations in their favor which so affect the railroads that communities having no other means of transportation will in the end have to pay higher rates for facilities they need than they would if the rivers, canals and highways were not unfairly favored by State and Federal governments. If, as is frequently urged, all transportation is the function of Government, what is to be gained by unduly oppressing one kind and favoring others, the natural answer to which is to lower the general cost of transportation, particularly on railroads? Unfortunately the general public does not realize the inevitable consequence of this policy. **Private control cannot endure indefinitely such onslaughts, and ultimately the public will appreciate that while they very earnestly disapprove Government ownership of their railroads and highly approve of private ownership, they are pursuing a policy that can end in but one way—in the very Government ownership which they so emphatically have condemned.**

"From what I have thus far said you can see that railroad credits are more or less congealed just now. You can draw your own conclusions, as to 'what is the matter with the railroads,' and you can readily perceive that there is no overwhelming inducement for the railroads to construct new mileage or add to their extensions.

"By study of statistics we learn that, beginning in the early eighteen-thirties, the peak of railroad building, in this country, was reached in 1887. It then gradually declined down to 1898, followed by an upward turn which culminated in 1903. From that year down to the present, comparatively little mileage has been added. As a matter of fact there are fewer miles of railroad in the United States today, than there were in 1920, 764 miles having been abandoned and scrapped, by authority of the Interstate Commerce Commission. In my opinion, the needed remedies to apply to the convalescing railroads in order to hasten their recovery are:

"1. Put the wage and income regulations under the same agency.

"2. Adopt a fixed policy of rate-making and adhere to it.

"3. Protect the Transportation Act against destruction by amendments.

"4. Protect the railroads, in some way, against the inroads of Government-owned boats and barges on the Mississippi and Warrior Rivers, doing business at 20% under the railroad rates, and include in such protection, the inroads of motor trucks doing business on free highways, paralleling the railroads and which are built and maintained with State and Federal money. I will quote from a letter I

wrote to Mr. Samuel O. Dunn of the *Railway Age:*

"*'In their own interest the people should not permit the light traffic enjoyed by the railroads under stagnant business conditions to be further reduced by agencies created and nourished by taxes gathered from all the people as is being done by Government-owned ships using the Panama Canal on ridiculously inadequate tolls; by Government-owned and operated towboats and barges on the Mississippi and Warrior Rivers quoting rates 20% below railroad rates; by motor trucks of free highways paralleling the railroads, provided by State and Federal moneys. A bill has been introduced in Congress authorizing the Government to lend money at 5% to assist corporations in organizing highway motor transportation to compete with existing transportation lines.*"

The present day railroad executive, as we see, is forced to "hide his light under a bushel." Under the supervision of Boards and Commissions, now in vogue, the railroads might be said to run automatically, from the manager's standpoint. He is directed what to do and how to do it. He can offer little of his own volition. He is hemmed in, as it were, on all sides. He is overwhelmed with too much domination—too much tutelage. There is little wonder, then, that the skillful executive cries for a broader scope of action, on his part. His cry should be heeded. Will the "powers that be" respond to the call, in a way to better the conditions and thereby aid the people, the country, and the railroads, too?

NEW BOOK LETTER

WHAT SHALL I READ?

Notes About Some of the Recent Publications

The Stock Market

S. B. Huebner, Ph. D., professor of Insurance and Commerce at the Wharton School of Finance, author of universally recognized text books on insurance, is the writer of a new book, "The Stock Market," which promises to take a commanding place in its field.

The book describes the purpose of the constituted security markets, the factors that cause price changes and the procedure followed in various methods of investing surplus funds.

Dr. Huebner has written his book in language that is simple and understandable—in fact, clarity is one of his work's outstanding characteristics. The volume has a practical appeal to investors of all classes, and is particularly well-suited to the purposes of newcomers to the world of finance. He successfully carries out the purpose of the book, "to bring together in compact and classified form those facts, principles and practices of the business which enable the student and layman to have a clear understanding of the nature of our organized security markets and the legitimate ways in which they may and should be employed."

MEETINGS AND ELECTIONS

INSPIRATION CONSOLIDATED COPPER CO.

NOTICE OF ANNUAL MEETING.

Notice is hereby given, that the Annual Meeting of the Stockholders of the Inspiration Consolidated Copper Company will be held at the office of the Company, 242 Water Street, Augusta, Maine, on Monday, the twenty-fourth day of April, 1922, at two o'clock P. M. for the election of Directors and for the transaction of such other business as may come before the meeting, including the consideration, approval and ratification of all acts and proceedings of the Board of Directors during the past year and of all matters that may be referred to in the Annual Report to the Stockholders.

The transfer books will not be closed; but only those stockholders of record at the close of business (viz., three o'clock P. M.) on Friday, April 7th, 1922, will be entitled to vote at said meeting.

By order of the Board of Directors.

J. W. ALLEN, Secretary.

DIVIDENDS

Driver-Harris Company

HARRISON, N. J.

Notice of Quarterly Dividend
Preferred Stock Dividend No. 38

The Board of Directors, at a meeting held on March 7, 1922, declared the regular quarterly dividend of one and three-quarters per cent (1¾%) on the outstanding preferred stock, for the quarter ending March 31, 1922, payable on April 1, 1922, to stockholders of record at the close of business on March 21, 1922. Transfer books will close from March 22, 1922, to April 1, 1922. Checks will be mailed.

P. E. REEVES,
Treasurer.

Paramount Pictures

To the Stockholders of
FAMOUS PLAYERS-LASKY CORPORATION

New York, March 13, 1922.

PLEASE TAKE NOTICE that the regular quarterly dividend at the rate of $2.00 per share, on the preferred capital stock of this Company issued and outstanding, has this day been declared, payable May 1st, 1922, to stockholders of record at the close of business on April 15th, 1922.

ELEK JOHN LUDVIGH, Secretary.

WESTINGHOUSE ELECTRIC

& MANUFACTURING COMPANY.

A Quarterly Dividend of 2% ($1.00 per share) on the PREFERRED stock of this Company will be paid April 15, 1922.

A Dividend of 2% ($1.00 per share) on the COMMON Stock of this Company for the quarter ending March 31, 1922, will be paid April 29, 1922.

Both Dividends are payable to Stockholders of record as of March 31, 1922.

H. F. BAETZ, Treasurer.

New York, March 20, 1922.

PACIFIC GAS AND ELECTRIC CO.

COMMON STOCK DIVIDEND No. 25.

The regular quarterly dividend of $1.25 per share upon the Common Capital Stock of this Company will be paid on April 15, 1922, to shareholders of record at close of business March 31, 1922. The transfer books will not be closed and checks will be mailed from the office of the company in time to reach stockholders on the date they are payable.

A. F. HOCKENBEAMER,
Vice-President and Treasurer.

San Francisco, California.

READER'S ROUND TABLE
(Continued from page 808)

I know union men in other trades doing routine work and steadily employed who make considerable more wages than my salary. I know I am underpaid but the fascination of railroading holds me as it does thousands of others similarly situated.

Passes are not given out as freely as Mr. McK. appears to believe. It is true passes are given from home point to place of employment but it requires from 5 to 10 years' service to secure one pass a year on another road and only a small percentage of the men avail themselves of the privilege. Pass holders must give preference to passengers, no extra service is provided for them, and therefore the cost of carrying employees is practically nothing. The pass is a reward for loyal and efficient service and railroad men regard it as part of their salary. Even if it did cost a considerable sum of money, as you have stated, there is a return to the roads which saves their costs in other ways.

The real trouble with the roads today is caused by the fact that before the war they were not allowed to charge just and reasonable rates and were therefore compelled to pay their employees unjustly low wages.

Most railroad men start in the freight service, at its best a hazardous occupation and far from easy work especially in the winter. At all times they are subject to call for duty and held under strict discipline. Their work requires careful judgment at all times. They must not make mistakes because their error may mean loss of life. One mistake and their career is probably ruined. "Safety First" is a common expression but it requires constant vigilance with its resultant strain to carry it out.

No fair-minded man conversant with the facts can ask that railroad men be classed with ordinary labor or even skilled labor whose mistakes affect themselves only. No railroad can give good service unless the men feel they are fairly treated and give their best efforts. For good service the public should and I believe would be willing to pay reasonable rates, if they knew the facts, so that fair and reasonable wages could be paid the employees. Surely there is nothing unfair or unreasonable in asking this.

A word of appreciation is due you, Mr. Editor, for your remarks as to the loyalty and efficiency of railroad men. We know we did our bit both here and abroad and your remarks correspond with those of former Director General McAdoo in the press today. Railroading is a very complex business and only those who have been through the mill really understand its difficulties. More honest investigation and constructive criticism instead of unfair remarks contrary to the facts will help the situation for all concerned. I wish Mr. McK. could meet a few real railroad men and he would find they are

not such a bad lot after all, although they are determined not to go back to the unfair wage scale existing before the war. This does not by any means say there should not be adjustments.

I hope you will understand this letter is written solely with the intention of giving the viewpoint of the ordinary railroad men. I own stock in two of the largest railroads in this country. One is making so much money the excess will have to go to the Government. The other road pays no dividends. Certainly the issuance of passes did not cause either result.—G. W. W.

The above is presented as a very fair and broad statement of conditions which we believe to exist. Many similar letters have been received and it seems to be the general feeling that the loyal desire of railroad men, engaged in a very hazardous occupation, to give their best services, though their rewards are not excessive, speaking humanly, are entirely worthy of praise. Probably no class of labor in this country is so intelligent and so truly worthy of the splendid term "American."—Editor.

Important Dividend Announcements

Rate			Stock of Record	Payable
$4	Air Reduction Co....$1	Q	3-31	4-15
7%	All Amer Cable...... 1¾%	Q	3-31	4-14
$4	Amer Br S & F....$1	Q	3-24	3-31
7%	Amer Br. S & F, pfd 1¾%	Q	3-24	3-31
10%	Amer La F Eng, com. 2½%	Q	5- 1	5-15
$7	Amer La F Eng, pfd.$1.75	Q	3-21	4- 1
4%	Amer Type f. com... 1 %	Q	4-10	4-15
$6	Amer W Gl Mach, c.$1.50	Q	3-14	4- 1
8%	Bell Tel of Canada... 2 %	Q	3-31	4-15
$2.20	Bliss Co, E W, com. 55c	Q	3-20	4- 1
$4	Bliss Co, E W, 1 p. $1	Q	3-20	4- 1
60c	Bliss Co, E W, 2 p.15c	Q	3-20	4- 1
10%	Can Pac R R, com.. 2½%	Q	3- 1	4- 1
$1.75	Case, J I Threst, p..$1.75	Q	3-13	4- 1
$6.00	Cent Aguirre Sugar.$1.50	Q	3-21	4- 1
7%	Cert Prod, 1 & 2, p.. 1¾%	Q	3-20	4- 1
7%	Cent States El, pfd. 1¾%	Q	3-10	4- 3
$8	Det Edison..........$2	Q	3-31	4-15
——	Dome Mines, com...$1		3-31	4-20
$8	Fam Players, com...$2	Q	3-15	4- 1
$8	Fam Players, pfd....$2	Q	4-15	5- 1
8%	Galena Signal Oil, p. 2%	Q	2-28	3-31
$7	Hendee Mfg, p.....$1.75	Q	3-20	4- 1
12%	Hollinger Cons...... 1%	Mo	3-10	3-25
7%	Hupp Motor, pfd... 1¾%	Q	3-20	4-21
8%	Ind Pneu Tool...... 2%	Q	3-20	4- 1
——	Ind Pipe Line.......$2	Ext	4-24	5-15
$2.50	Int Cement, com....62½c	Q	3-22	3-31
$7	Int Cement, pfd....$1.75	Q	3-22	3-31
$5	Int Harvester, com..$1.25	Q	3-25	4-15
$8	Island Ck Coal, com.$2	Q	3-24	4- 1
——	Island Ck Coal, com.$5	Ext	3-24	4- 1
$6	Island Ck Coal, pfd.$1.50	Q	3-24	4- 1
$7	Joliet & Chgo R R..$1.75	Q	3-20	4- 3
$6	Kelsey Wheel, com..$1.50	Q	3-20	4- 1
50c	Kerr Lake Mines....12½c	Q	4- 1	4-15
5%	Laurentide Power... 1¼%	Q	3-31	4-15
$7	Loose-Wiles Bis, 1 p.$1.75	Q	3-20	4- 1
$7	Loose-Wiles Bis, 2 p.$1.75	Q	4-18	5- 1
10%	McAnd & Forbes, c.. 2½%	Q	3-31	4-15
6%	McAnd & Forbes, p. 1½%	Q	3-31	4-15
$7	McCrory Stores, p..$1.75	Q	3-20	4- 1
$6	Man El Light, c....$1.50	Q	3-20	4- 1
8%	Mpls St P & SS, c. 2%	SA	3-22	4-15
8%	Mpls St P & SS p.. 2%	SA	3.22	4.15
$8	Mpls St. P & SS....$2.00	SA	3.20	4- 1
	(Leased Lines)			
$6	Pac Tel & Tel pfd..$1.50	Q	3-31	4-15
$6	Pan-Am P & T c "A"$1.50	Q	3-15	4-10
$6	Pan-Am P & T c "B"$1.50	Q	3-15	4-10
$5	People's Gas $1.25	Q	4-30	4-17
8%	Pitts Plate Glass com. 2%	Q	3-15	4- 1
——	Pitts Plate Glass com. 5%	Ext	3-15	4- 1
$12	Prairie Oil & Ct....53.00	Q	3-31	4-29
8%	Royal Bak Powd, com 2%	Q	3-15	3-31
6%	Royal Bak Powd pfd. 1½%	Q	3-15	3-31
7%	Steel & Tube Co. pfd. 1¾%	Q	3-23	4- 1
20%	Tonopah Ext Min.... 5%	Q	3-11	4- 1
10%	Tonopah Mining..... 5%	SA	3-31	4-21
8%	United Fruit........ 2%	Q	3-20	4-15
4%	United Ct Imp com. 1%	Q	3-31	4-15
7%	U S Ind Alcohol pfd. 1¾%	Q	3-31	4-15
$1	Utah Copper Co.....50c	Q	3-15	3-31
——	Victor Talk Ma com.$10.00	Q	3-31	4-15
$7	Victor Talk Ma pfd.$1.75	Q	3-31	4-15
$4	West El & Mfg com.$1.00	Q	3-31	4-29
$4	White Motor Co....$1.00	Q	3-21	3-31
$8	Williams Tool Cor pf.$2.00	Q	3-20	4- 1
7%	Wilson & Co pfd... 1¾%	Q	3-20	4- 1
7%	Woolworth Co pfd.. 1¾%	Q	3-10	4- 1

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